To:	All members and other interested parties
Ref:	26-064 (LME Notice) 26-013 (LME Clear Circular)
Classification:	Rulebook
Date:	10 March 2026
Subject:	**DECISION NOTICE (RULE CHANGE NOTICE) ON: (I) PROPOSED CHANGES TO THE OPTION EXERCISE PROCESS FOR METAL OPTIONS; AND (II) THE INTRODUCTION OF A NEW BUSINESS CONTINUITY PROCEDURE FOR THE EXISTING METAL OPTIONS EXERCISE PROCESS**

Introduction

1. In LME Notice 25/230 (LME Clear Circular 25-048), the London Metal Exchange (the "**LME**") and LME Clear Limited ("**LME Clear**") sought the views of Members and other interested parties in relation to: (i) proposed changes to the LME and LME Clear's option expiry process for Metal Options (or "Exchange-Traded Options" in LME Clear terminology); (ii) the introduction of a new business continuity process in relation to the current Metal Options expiry process; and (iii) the amendments to the Rules and Regulations of the LME (the "**LME Rulebook**") and to the LME Clear Rules and Procedures ("**LME Clear Rules**") required to facilitate such proposals (the "**Consultation**").

Background

2. The LME and LME Clear are grateful for the comments received in response to the Consultation Notice and have considered them carefully in reaching the decisions set out in this decision Notice (the "**Decision Notice**", and a Rule Change Notice for the purposes of the LME Clear Rules).

3. This Decision Notice sets out the changes which the LME and LME Clear shall make to the LME Rulebook and LME Clear Rules (respectively), along with the related implementation approach and timeline, to give effect to the decisions set out below.

Defined Terms

4. Terms not otherwise defined in this Decision Notice shall have the meanings ascribed to them in the LME Rulebook set out at **Appendix 2** and / or the LME Clear Rules set out at **Appendix 3**, as applicable.

Feedback on Consultation questions

5. The following section summarises the feedback received from market participants that the LME and LME Clear have collated and considered in relation to the proposals in the Consultation. The Consultation Notice set out a number of questions for respondents to consider. For ease of reference, the LME and LME Clear have addressed the feedback received in the same format.

Move to auto-expiry process

Q1 *Do you agree with the LME's and LME Clear's proposal to move to automated expiry for Metal Options?*

6. Respondents to the Consultation were overwhelmingly in favour of the LME's and LME Clear's proposal to move from the existing manual exercise process, to an automated expiry process, for Metal Options.

7. In particular, several respondents noted the reduction in operational risk and complexity that they expect will result from the implementation of the proposal. Some respondents raised specific questions and

comments in response to Q1 that relate more specifically to other Consultation questions, and which the LME and LME Clear have therefore addressed in their responses to those questions, below.

LME and LME Clear response

8. The LME and LME Clear are grateful for the feedback received on this question. After considering the feedback, the LME and LME Clear have decided to implement a move from the existing manual exercise process, to an automated expiry process, for Metal Options.

Q2 *Do you agree with the LME's and LME Clear's proposed automated expiry process, which automatically exercises call options that are in-the-money ("**ITM**") or at-the-money ("**ATM**"), and put options that are ITM?*

9. The large majority of the feedback received by the LME and LME Clear in relation to this question was supportive of the proposed automatic expiry process as set out in the Consultation. A number of supportive respondents also noted that the process set out in the Consultation aligns with the process operated by other exchanges, helpfully reflecting established derivative market conventions.

10. One respondent noted the need for heightened market surveillance to avoid any potential manipulation around the expiry. The same respondent also flagged a risk of uncertainty arising in the exercise process if there is a lag in the publication of the Closing Prices. The LME and LME Clear have addressed this point in the response to Q4 below.

11. Another respondent stated a preference for retaining a manual exercise option for Metal Options that are ATM. A third respondent stated their view that all ATM options should be automatically abandoned.

LME and LME Clear response

12. The LME and LME Clear are of the view that retaining manual exercise functionality for ATM options would not align with the primary objectives underpinning the move to an automated exercise process, being to: (i) reduce the operational processes, complexity and risks associated with the current manual exercise process; and (ii) provide Members with a more robust and predictable framework for the options expiry process. Further, supporting two concurrent exercise processes (i.e. automatic exercise for ITM and OTM options on the one hand, and manual exercise for ATM options on the other) would introduce significant additional operational complexity for both Members and Clients and LME Clear.

13. In line with several respondents' feedback, the LME and LME Clear's position is that the proposed exercise approach reflects existing market conventions for exchange-traded options on peer venues.

14. In response to the concern raised regarding market surveillance controls and the potential for manipulation around expiry, the LME is also comfortable that it has appropriate market monitoring controls to ensure robust surveillance of the market, including in relation to Option Expiry.

15. After considering the Consultation responses, the LME and LME Clear have decided to implement an automated expiry process that will result in the automatic exercise of call options that are ITM or ATM, and put options that are ITM, and the automatic abandonment of all other options.

Q3 *Noting that the LME is not proposing to introduce Expiry Day trading of options at this stage, do you have any views on whether the LME should introduce this in the future?*

16. The Consultation feedback was broadly supportive of the introduction of Expiry Day trading. Several respondents noted that the introduction of Expiry Day trading would provide additional flexibility for market participants in relation to the management of their risk exposure on Expiry Day, for example by enabling market participants to exit options positions that they do not wish to hold to expiry, in particular on more volatile trading days.

17. One respondent was not supportive of a possible introduction of Expiry Day trading on the basis that such trading could lead to a shift in focus on Expiry Day to intra-day trading.

LME and LME Clear response

18. The LME and LME Clear are grateful for the feedback received on this question, which broadly aligns with the LME and LME Clear's present view that it could be beneficial to introduce Expiry Day trading functionality in the future. Whether, and in what form, the LME and LME Clear might do so in future would be subject to further analysis and, where appropriate, consultation.

19. The LME notes the feedback received included comments regarding applying a cut-off time for Expiry Day trading. As part of their wider consideration of the viability of introducing Expiry Day trading for Metal Options, the LME and LME Clear will assess what cut-off time might be appropriate for Expiry Day trading, whilst considering the need to balance flexibility against providing enough time to reconcile trading activity and positions ahead of the Expiry Time.

Change to expiry price (Exercise Reference Price) and Expiry Time on the Expiry Day

Q4 *Do you agree with the LME's proposed approach to utilise the Closing Price window on the Expiry Day to discover the Exercise Reference Price?*

20. The majority of the Consultation feedback supported the LME's proposal to utilise the Closing Price window on the Expiry Day to discover the Exercise Reference Price. Respondents noted, amongst other matters, that the Closing Price window was well defined, with concentrated liquidity, and would result in a highly representative and transparent Exercise Reference Price.

21. A number of respondents' submissions for Q4, Q5 and Q6 focused on the dissemination of pricing data by the LME, and in particular the timing of this dissemination. Some respondents expressed concern with the potential for the LME not to disseminate any Closing Prices until 17:50 on the Expiry Day. Others stressed the importance of prompt publication of pricing data to the market to allow traders to take informed decisions in relation to hedging and risk management of their Metal Options positions.

22. One respondent raised concerns about a possible lack of liquidity in the period following the publication of the Exercise Reference Price.

LME and LME Clear response

23. The feedback received on Q4 in relation to the pricing window was largely aligned to the LME's and LME Clear's view that by using an established pricing window with concentrated liquidity on the Expiry Day to determine the Exercise Reference Price for Metal Options, this would: (a) provide a highly representative price; (b) provide a clear and transparent approach to determining the Exercise Reference Price, which is replicable by market participants; and (c) encourage greater participation in the price discovery process.

24. The LME and LME Clear have considered the feedback received from respondents on price dissemination (and in particular the potentially negative impacts of a delay in Closing Price dissemination).

25. First, the LME and LME Clear note that its current M1 Closing Price dissemination process operates as follows:

    (a) Closing Prices for each metal are determined in pricing windows between 15:50 and 17:00 (with each metal having a 5 minute spread window followed by a 5 minute 3-month window, for example, between 16:40 and 16:49:59 for Copper);

    (b) following the close of each pricing window, the LME's Trading Operations team determine a provisional Closing Price for M1 for each metal;

    (c) such provisional Closing Prices are published to the market shortly after their determination, which usually occurs within 30 minutes of the close of the relevant pricing window; and

    (d) following the end of the Objection Window set out in the LME's Closing Prices – Benchmark Methodology, the LME publishes the final M1 Closing Price for each metal at around 17:50.

26. Secondly, the LME and LME Clear would like to reiterate that, following the proposed changes, provisional Closing Prices for each metal would continue to be published to the market before the external publication of the final Closing Price. Such provisional Closing Prices may be subject to amendment in accordance with the LME's Closing Prices – Benchmark Methodology, in line with the LME's current practice.

27. Thirdly, the LME and LME Clear see the merit of the feedback requesting earlier dissemination of Closing Prices following the conclusion of the relevant pricing windows. The LME are LME Clear are therefore currently examining the technical requirements relating to whether it would be possible for the LME to release a provisional Closing Price for M1 to the market within a shorter period following the close of each pricing window (and prior to the dissemination of the provisional Closing Prices for the full curve). The LME will update the market in due course.

28. The LME and LME Clear also acknowledges the feedback received in relation to market liquidity in the period following the publication of the Exercise Reference Price. The LME and LME Clear are of the view on this point that the representativeness of the price used for expiry is of paramount importance and the benefits of utilising the Closing Price, including the depth of existing liquidity, outweigh the arguments for using any price that is determined earlier in the trading day. It should also be noted that most peer markets exercise against the settlement price due to its representativeness of prevailing market conditions.

29. The LME and LME Clear are grateful for the detailed feedback on this topic. After considering the Consultation responses, the LME and LME Clear have decided to implement the proposal to utilise the Closing Price window on the Expiry Day to discover the Exercise Reference Price. As noted above, the LME is currently assessing whether it is operationally possible for the LME to disseminate provisional Closing Prices for M1 more quickly following the conclusion of the relevant pricing window, and will update the market in due course.

Q5 *Do you agree with the LME's proposal to adopt the Closing Price volume weighted average price ("**VWAP**") methodology M1 price as the Exercise Reference Price?*

30. The Consultation feedback was broadly supportive of the LME's proposal to adopt the Closing Price VWAP methodology M1 price as the Exercise Reference Price. In particular, one respondent noted that the use of such a methodology would provide a more transparent and replicable pricing mechanism, which the LME and LME Clear understand to mean that using the Closing Prices will better enable market participants to calculate the likely Closing Price based on their own calculations using publicly available information. Another noted that it would assist with the management of Metal Option positions and encourage third Wednesday liquidity.

31. A number of respondents linked their answers to this question to their feedback on the timing of the dissemination of pricing data. The LME and LME Clear have addressed these related points in their response to Q4 above.

32. One respondent reiterated their position that the LME should use its existing pricing determination window and methodology (as set out in paragraph 27 of the Consultation). Another asked what analysis the LME had undertaken in respect of this methodology, in particular in relation to liquidity levels and trading volumes during the VWAP period.

LME and LME Clear response

33. The majority of the Consultation feedback received on this proposal aligns with the LME's position set out in paragraphs 28 and 29 of the Consultation. In particular, the LME and LME Clear maintain their view that the proposed pricing methodology will provide a clear and transparent approach for market participants to the determination of a representative Exercise Reference Price.

34. The LME is confident in the robustness of the M1 Closing Prices. Since adopting the VWAP methodology in Q1 2024, participation levels and trading volumes contributing to price discovery have increased. The LME and LME Clear also note their comments in paragraph 23 of this Decision Notice.

35. After considering the Consultation responses, the LME has decided to adopt the M1 Closing Price as the Exercise Reference Price. The LME's volume weighted average price ("**VWAP**") methodology currently applies to Copper, Zinc, Aluminium, Lead and Nickel. These metals cover almost the entirety of existing open interest and trading activity for Metal Options. Whilst the M1 Closing Price is currently determined using a last price methodology for other metals including Tin, the LME is considering the optimal Closing Price methodology for such metals and would consult on any proposed changes separately. For the avoidance of doubt, the LME will proceed with the proposal to move to automated expiry and European options for all Metal Options, regardless of the Closing Price methodology for the relevant metal. The LME

also notes that the last price methodology ultimately forms part of the pricing waterfall for all Closing Prices.

Q6 *Do you have any views on the Expiry Time definition being linked to the point in time at which the LME records the finalised Closing Prices within the LME's internal pricing system, which is intended to occur at or around 17:50 on the Expiry Day?*

36. A number of responses to this question referenced several different concepts including: (i) price dissemination; (ii) the Expiry Time definition; and (iii) release of position statements by LME Clear. The LME has summarised respondents' views in relation to points (i) and (iii) in the sections of this Decision Notice addressing Q4 and Q7.

37. Most respondents did not comment on the Expiry Time definition specifically. Of the respondents who did provide feedback on the Expiry Time definition, one respondent agreed with LME's proposed approach, while another suggested that the Expiry Time should be linked to the external publication of the Exercise Reference Price, and a third suggested it should be linked to the end of the relevant VWAP windows in the price determination process.

LME and LME Clear response

38. The Expiry Time concept as set out in the Consultation version of the LME Rulebook reflects the point in time at which Metal Options are contractually considered to have expired. By definition, the Expiry Time must occur after the determination of the Exercise Reference Price. Accordingly, the Expiry Time cannot immediately follow the close of the relevant VWAP windows.

39. A number of respondents also linked the Expiry Time concept to the first release of pricing data by the LME. As noted in the LME's response to Q4, the LME will release provisional Closing Prices before the Expiry Time (and is actively looking at whether a mechanism to publish the provisional M1 Closing Price more quickly can also be introduced).

40. After consideration of the feedback on this point, the LME has decided to implement its proposal to link the Expiry Time with the time at which the LME records the finalised Closing Prices within the LME's internal pricing system. The LME considers this point in time to reflect the actual time of expiry of the Metal Options, providing legal certainty. By comparison to the alternative positions set out in respondents' feedback, the LME's view is that linking the Expiry Time to the time at which the LME records the finalised Closing Prices within its internal pricing system strikes a legally and operationally prudent balance, providing maximum certainty to market participants in contrast to linking the Expiry Time to the availability of provisional Closing Prices, which may be subject to change.

Q7 *Do you have any views on the operational aspects of the expiry process taking place at, or around, 18:50 and Members receiving their Metal Futures Contract position statements thereafter?*

41. Whilst some respondents were comfortable with the proposal and / or offered no views on it, three respondents noted concerns around staff availability during London hours on the monthly Metal Options Expiry Date as a result of the expiry process taking place during evening hours (London time). Several other respondents also noted that the timing of the expiry process would result in any operational issues that do occur only becoming apparent after market close, which could affect their risk management practices.

LME and LME Clear response

42. The issuance of position statements by LME Clear at around 18:50 on the Expiry Day is an administrative process that follows Option Expiry. The 18:50 timestamp reflects the LME Clear systems process through which exercised Metal Options are converted into forward Positions. It does not represent the point at which Options are automatically exercised or abandoned. The M1 Closing Price (being the Exercise Reference Price) will be published at around 17:50 thereby giving certainty to Members and Clients of their resulting positions ahead of such administrative process.

43. Whilst LME Clear acknowledges respondents' staffing and operational concerns, the timing of this process ensures that all necessary LME Clear systems processes have time to complete prior to the issuance of verified position statements to Members. LME Clear has explored whether this internal processing time

could be brought forward during the Business Day, but notes that doing so would impact other internal processes that could increase the risk of operational delays.

44. Accordingly, given the monthly nature of Option Expiry and the importance of ensuring that the relevant systems processes complete in a resilient and timely manner, LME Clear has determined that it will not change the timing of the generation of position reports.

Amending Metal Options from American to European-style options

Q8 *Do you agree with the LME's proposal to move from American-style to European-style Metal Options?*

45. The large majority of respondents agreed with the proposal to transition Metal Options from American style to European style options. Several respondents noted that it was rare for Metal Options to be exercised early. Another highlighted that this transition would simplify the LME's Metal Options offering and that it is aligned with the proposal to move to automated expiry.

46. One respondent objected to the proposal on the basis that exercising early could be a helpful option to release cash from a Metal Option position. Another noted that, whilst they do not object to the change, they have a preference for Metal Options to remain as American style options, but did not elaborate on their reasoning.

LME and LME Clear response

47. As noted in the Consultation, LME Clear's Discounted Contingent Variation Margin methodology means that when an ITM Metal Option is exercised early, it does not immediately release the intrinsic value within the Metal Option. Further, the LME and LME Clear are of the view that adopting European style options would simplify the expiry process (by negating the possibility of early exercise), reduce operational complexity, and make the LME's options market structure and products more familiar (and therefore more accessible) to a broader range of global participants, as a result of which liquidity is likely to increase which in turn would benefit the market as a whole. The majority of feedback received to the Consultation supported this assessment. Accordingly, after considering the Consultation responses, the LME has decided to implement this proposal as set out in the Consultation.

Contrary instructions

Q9 *Do you agree with the LME's proposed approach in not offering Contra functionality in relation to Metal Options?*

48. The Consultation set out the LME's and LME Clear's proposal not to give Members or Clients the ability to submit contrary instructions to the LME or LME Clear to change the expiry logic described above (known as "**Contra(s)**").

49. The majority of respondents supported the LME's proposal not to offer Contra functionality in relation to Metal Options. A number of these respondents concurred with the LME's view that not offering Contra functionality would support the LME's and LME Clear's overall aim of increasing clarity and certainty in the exercise process alongside a reduction in operational risk, for the benefit of both market participants and LME Clear.

50. One respondent stated their view that allowing Contras could provide Metal Option owners with flexibility in the event of price movements leading up to the relevant pricing window (where the relevant price is close to the Metal Option holders strike price). Another noted that Contra functionality would not be required if there was only a limited lead time between the relevant pricing windows and the dissemination of Closing Prices.

LME and LME Clear response

51. The LME thanks respondents for their feedback on this topic. The LME and LME Clear are of the view that not offering Contras aligns with the other proposals set out in the Consultation and this Decision Notice. The absence of Contra functionality will provide market participants with greater clarity and predictability in respect of the Option exercise process, and will assist in the reduction of operational risk

for both market participants and LME Clear. Noting that the majority of respondents supported the proposal as set out in the Consultation, the LME and LME Clear have therefore decided to proceed with the proposal not to offer Contra functionality in relation to Metal Options.

LME Clear business continuity options expiry process

Q10 *Do you have any views on the proposed Rule change to make express reference to the business continuity process for Metal Options expiry?*

52. A number of respondents had no view on this question. Of the responses received, all responses were supportive of LME Clear's proposed Rule change in relation to the business continuity process for Metal Options expiry.

53. One respondent stated that LME Clear should issue a market notice (i.e. a Circular) when invoking its business continuity procedure for Options expiry.

LME and LME Clear response

54. LME Clear wishes to thank respondents for the feedback on this topic and will proceed with this Rule change. In the event that LME Clear invokes its business continuity procedures for Options expiry, LME Clear will provide appropriate communications to the market to ensure that Members and other market participants are notified of the invocation.

55. Further detail on the implementation timeline for this change is set out in paragraph 65.

Proposed migration approach

Q11 *Do you have any concerns with the proposed migration approach?*

Q12 *Do you have any views on the proposed notification timeline?*

Q13 *Do you have any views on the proposed migration mechanism, as described above? Do you have any particular views on this in terms of existing Metal Option Contracts (i.e. Metal Option Contracts that are Executed prior to, and remain open on, the Implementation Time on the Implementation Date)?*

56. Of those respondents who provided feedback on Q11, all were supportive of the proposed migration approach. Some noted the operational complexity of running two parallel expiry processes (both for the Members and for the LME / LME Clear), underscoring their support for a single cut-over day implementation approach.

57. Respondents were supportive of the LME's proposed notification timeline (Q12), with several noting the importance of having sufficient time to make any required changes and liaise with software vendors (ISVs).

58. The LME and LME Clear received limited feedback on the proposed migration mechanism described in the Consultation (Q13). However, the feedback that was received raised no concerns with the proposal.

LME and LME Clear response

59. After considering the feedback received, the LME and LME Clear will proceed with the migration approach as set out in the Consultation (see below for further detail). The LME and LME Clear note that the migration approach outlined in paragraph 62 below now also clarifies how any Agreed Trades and Contingent Agreements to Trade that exist at the Implementation Time on the Implementation Date (i.e. the migration cutover time) will be migrated.

Implementation approach and timeline

60. After consideration of the Consultation feedback, the LME and LME Clear have decided to proceed with the proposals and to implement the amendments to the LME Rulebook and LME Clear Rules, in the form that those documents were set out in the Consultation.

61. The LME and LME Clear will implement the transition to automated expiry and European-style options with a single day cut-over implementation approach. The implementation date and time shall be **01:30 (London Time) on 21 September 2026** (being the "Implementation Date" and "Implementation Time" for the purposes of Regulation 7 of Part 5A of the LME Rules).

62. The mechanism by which the migration will occur is as follows:

    (a) **For existing open Contracts in Metal Options between LME Clear and Members, Executed before the Implementation Date with an Expiry Day on or after the Implementation Date:** Affected Metal Options will be amended with effect from the Implementation Time on the Implementation Date in accordance with Regulation 7.2 of Part 5A of the LME Rules. Market participants should note that with effect from the Implementation Time on the Implementation Date, existing Open Contracts in Metal Options will become European-style options and accordingly Members will not be able to exercise such Contracts in advance of the relevant Expiry Date from such time.

    (b) **For existing open Client Contracts in Metal Options between Members and their Clients entered into before the Implementation Date with an Expiry Day on or after the Implementation Time on the Implementation Date:** Members with existing open Client Contracts must give effect to the migration in their contractual terms with Clients.

    (c) **For prospective Contracts in Metal Options Executed after the Implementation Time:** Such Contracts will be bound, from the Implementation Time on the Implementation Date, by the amended LME Rulebook and LME Clear Rules in force from the Implementation Time on the Implementation Date.

    (d) **For prospective Client Contracts in Metal Options entered into after the Implementation Date with an Expiry Day on or after the Implementation Time on the Implementation Date:** Members must give effect to the migration in their contractual terms with Clients.

    (e) **For Contingent Agreements to Trade and Agreed Trades that exist at the Implementation Time on the Implementation Date but have not yet resulted in an Option Contract:** To the extent that any Contingent Agreements to Trade, and/or Agreed Trades, have arisen but have not yet resulted in a related Option Contract arising as at the Implementation Time on the Implementation Date, all such Contingent Agreements to Trade and Agreed Trades will be amended with effect from the Implementation Time, in accordance with revised Regulation 7 of Part 5A of the LME Rules. The effect of this amendment is to result in relevant Contingent Agreements to Trade and Agreed Trades resulting in Options Contracts that are automatically exercised Europe-style Contracts. The minor LME Rulebook revisions needed to give effect to the migration of any relevant Contingent Agreements to Trade, and Agreed Trades, are set out in blackline in Appendix 1 of this Decision Notice.

63. Members are reminded of their obligations under Regulations 7.3 and 7.4 of Part 5A of the LME Rules. In particular, Members must ensure that their systems and operational processes are updated to take account of the proposals set out above by the Implementation Date including, but not limited to:

    (a) ensuring that all Agreed Trades falling under paragraph 62(e) above are booked with new CFI codes;

    (b) resetting the "Trading" perspective in LMEmercury so that the "Resulting Trades" window is visible;

    (c) reconciling all open option positions, including checking:

        (i) CFI codes; and

        (ii) end of day reports; and

    (d) reconciling resulting trades and option expiry reports.

Effective dates of amendments to the LME Rulebook and LME Clear Rules

64. The amendments to the LME Rulebook set out in Appendix 2 of this Decision Notice will come into effect on the Implementation Date, save for the explanatory note in relation to the suspension of non-USD

Options which take immediate effect on 17 March 2026. (For the avoidance of doubt, the LME Rulebook set out in Appendix 2 includes the minor blackline amendments shown in Appendix 1.)

65. The amendments to the LME Clear Rules set out in Appendix 3 will come into effect on the Implementation Date save for:

    (a) the explanatory note relating to the suspension of non-USD Metal Options;

    (b) the minor administrative amendments changing the definition of Board Risk Committee to the EMIR Risk Committee, and consequential amendments; and

    (c) the changes relating to the LME Clear business continuity options expiry process set out in Rule 2.5,

    each of which will take immediate effect on 17 March 2026.

Questions

66. Should market participants have any questions in relation to this Decision Notice, please contact your relationship manager or email RM@lme.com.

Matt Chamberlain
Chief Executive Officer, LME

Michael Carty
Chief Executive Officer, LME Clear

cc: LME Board directors
LME Clear Board directors
User Committee
All metal committees
Ring Dealers Committee
Traded Options Committee
Warehousing Committee
Physical Market Committee

Appendix 1

LME Rulebook excerpt (Blackline of certain provisions of Regulation 7 of Part 5A)

Blackline legend:

- Deletions are shown in strikethrough (i.e. ~~deletion~~).
- Additions are shown in **bold, underlined** text.

Amendments to Regulation 7 of Part 5A of the LME Rules

7.1 With effect from the Implementation Time on the Implementation Date, the amendments to this Part 5A of the Rules, and amendments to any related Regulations, as set out in Notice **26-064** shall take effect in relation to:

7.1.1 all open Metal Option Contracts (being Metal Option Contracts that were Executed prior to, and have not been exercised, settled, closed out or traded out of at, the Implementation Time on the Implementation Date ("**Affected Metal Options**"); ~~and~~

7.1.2 all Metal Options that are not Affected Metal Options (being Metal Options that are Executed after the Implementation Time on the Implementation Date)~~,~~**; and**

7.1.3 all Contingent Agreements to Trade and Agreed Trades entered into prior to the Implementation Time on the Implementation Date and that have not, as at the Implementation Time, resulted in a Metal Option Contract ("Affected Contingent Agreements to Trade" and "Affected Agreed Trades", respectively),

as applicable.

7.2 With effect from the Implementation Time on the Implementation Date, and immediately following amendments to the Rules set out in Regulation 7.1 above taking effect~~,~~**:**

(a) all Affected Metal Options shall be amended as follows:

(i) Affected Metal Options shall cease to be American style options and shall instead become European style options, exercisable only on the Expiry Day;

(ii) Affected Metal Options shall be subject to automatic exercise in accordance with the provisions of this Part 5A (as amended by Regulation 7.1 above);

(iii) Affected Metal Options shall be automatically exercised or automatically abandoned by reference to the Exercise Reference Price; and

(iv) the Expiry time on the Expiry Day shall be as set out in Regulation 2.1.2 of this Part 5A, as amended pursuant to Regulation 7.1 above**, and**

(b) **all Affected Contingent Agreements to Trade and Affected Agreed Trades shall be amended such that Affected Contingent Agreements to Trade and Affected Agreed Trades shall cease to result in American style options (once the relevant Agreed Trade is Executed), and shall instead result in European style options, exercisable only on the Expiry Day as set out in Regulation 7.2(a)(ii) to (iv) above.**

7.3 The Exchange shall communicate the Implementation Date and Implementation Time by Notice, with such communication date being the "**Transitional Notification Date**". Following the Transitional Notification Date, the Exchange may from time to time, by Notice, defer the Implementation Date and/or the Implementation Time to a later designated date or time, in its discretion.

7.4 Members shall take all steps necessary to ensure that they are able to discharge their obligations in respect of the **Affected Contingent Agreements to Trade, Affected Agreed Trades and** Affected Metal Options on the Implementation Date and on an ongoing basis thereafter**, as applicable**.

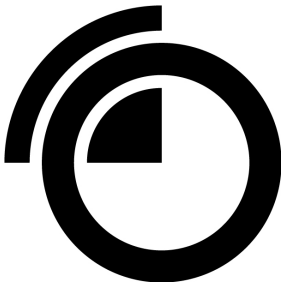
7.5 The Exchange may, acting reasonably, direct Members to take specific actions in order to facilitate the Transitional Changes set out in Regulation 7.2 above. For the avoidance of doubt, the Exchange shall be permitted to direct Members to take actions including, but not limited to, making any required changes or upgrades to their systems, and making any required amendments to their Client terms of business, to facilitate the Transitional Change.

7.6 For the avoidance of doubt, in the event that a Member that holds an **Affected Contingent Agreement to Trade, Affected Agreed Trade or** Affected Metal Option, or whose Client holds an **Affected Contingent Agreement to Trade, Affected Agreed Trade or** Affected Metal Option, continues to hold an **Affected Contingent Agreement to Trade, Affected Agreed Trade or** Affected Metal Option at the Implementation Time on the Implementation Date, the Member (or Client, as applicable) shall be deemed to have consented to the Transitional Changes set out in Regulation 7.2 above resulting in the amendment of their **Affected Contingent Agreement to Trade, Affected Agreed Trade or** Affected Metal Option(s)**, as applicable**.

Appendix 2

LME Rulebook (Clean)

21 September 2026



LONDON METAL EXCHANGE
RULES AND REGULATIONS

AS AUTHORISED BY THE BOARD OF DIRECTORS

21 September 2026

PREFACE

Parts 1 – 13 of this book set forth the Rules and Regulations of the London Metal Exchange, and the Appendices include further information, as on brands, assayers and warehouses listed in accordance with stated regulations.

These Rules, as amended from time to time, are available on the LME website.

21 September 2026

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21 September 2026

PART 1

DEFINITIONS AND GENERAL RULES

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PART 1: DEFINITIONS AND GENERAL RULES

1. DEFINITIONS

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

"Account Holder"	the Clearing House and any person admitted as an Account Holder by the Exchange, and which has not withdrawn or ceased to be an Account Holder, under Regulation 2 of the LMEsword Regulations;
"Acceptance Criteria"	the criteria to be satisfied under the Clearing House Rules in order for a Cleared Contract to come into effect in respect of the relevant Agreed Trade;
"Act of Misconduct"	has the meaning set out in Regulation 13.2 of the Membership Regulations;
"Administrative Procedure" or "Notice"	a notice given to such class or classes of Member to whom in the view of the Exchange, acting reasonably, they apply, and which introduces, implements, supplements or amends the Rules or any part thereof, or contains a procedure for introducing, implementing, supplementing or amending the Rules or any part thereof, or otherwise imposes requirements on Members, in each case that is given by way of publication on the LME website, or if the context requires it, sent via LME Select, LMEsword and/or Matching System;
"Administrator"	a person that has control over the provision of a benchmark, within the meaning of the BMR;
"Affiliate"	in relation to a person, another person in the same Group;
"Agreed Trade"	the particulars of a transaction in a Contract agreed between two parties (or otherwise instructed by one or more Member(s) and confirmed within LME Select), as further specified in Trading Regulation 2.2.3;
"Algorithmic Trading"	trading in financial instruments (as such term is defined in Article 4(1)(15) of the MiFID II Directive) where a computer algorithm automatically determines individual parameters of orders such as whether to initiate the order, the timing, price or quantity of the order or how to manage the order after its submission, with limited or no human intervention, but excluding any system that is only used for the purpose of routing

	orders to one or more trading venues (as such term is defined in Article 4(1)(24) of the MiFID II Directive) or for the processing of orders involving no determination of any trading parameters or for the confirmation of orders or the post-trade processing of executed transactions;
"Aluminium Premium Contract"	a Premium Contract for aluminium having the characteristics set out in the Premium Contract Regulations (and a "type" of Aluminium Premium Contract shall mean one of the classes of such Contracts distinguished by its applicable Premium Warrant Jurisdiction);
"Appeal Committee"	a committee appointed pursuant to Regulation 14 of the Membership Regulations;
"Appeal Panel"	a panel appointed pursuant to Regulation 14.74 of the Membership Regulations;
"Applicable OTC Contract"	means any “over the counter” contract which has any of the following characteristics: (i) it is, or may be, settled on the basis of, or with direct or indirect reference to, the LME’s Official Prices, Closing Prices, or other Exchange reference prices, or prices calculated on the basis of LME Data, or which refer to or use such prices in any other way; (ii) its terms, branding, name or description reference in any way the Exchange by its name, or use of any of the trade mark or intellectual property of the Exchange; (iii) it is margined or valued on the basis of LME Data; (iv) it is, or may be, physically settled using the infrastructure, systems or facilities maintained or operated by the Exchange, including but not limited to LMEsword; or (v) specifies physical settlement of a commodity in which the LME has a futures contract (whether such LME contract is physically or financially settled);
"Arbitration Regulations"	the regulations set out in Part 8 of the Rules;
"Articles"	the Articles of Association for the time being of the Company;
"At the Money"	in relation to a Metal Option or an LMEprecious Option, as applicable, that on the Expiry Day, the Exercise Reference Price for the Metal Option or the LMEprecious Option, as applicable, is equal to the Strike Price;

"Auction Window"	has the meaning given to it in Regulation 2.15.8(b) of Part 3;
"Average Price Call Option"	a Traded Average Price Option pursuant to which the Granter gives the Taker the right to buy from the Granter;
"Average Price Put Option"	a Traded Average Price Option pursuant to which the Granter gives the Taker the right to sell to the Granter;
"Basic eCOA"	means an electronic Certificate of Analysis, which is created within the eCOA System, and which meets the criteria for a Basic eCOA (and which must include a digital copy of the Paper COA) as specified by the Exchange from time to time;
"Benchmark"	an index provided by the Exchange, which falls within the BMR definition of "benchmark", and that is identified by the Exchange as such by way of Notice, or on the LME website from time to time, as being a "Benchmark" that is administered by the Exchange;
"BMR"	Regulation (EU) 2016/1011 of the European Parliament and of the Council of 8 June 2016 on indices used as benchmarks in financial instruments and financial contracts or to measure the performance of investment funds and amending Directives 2008/48/EC and 2014/17/EU and Regulation (EU) No 596/2014, as from time to time amended;
"Backwardation Cap"	shall have the meaning ascribed to it in Regulation 24.1 of the Trading Regulations;
"Business Day"	in relation to the Exchange any day on which at least one Execution Venue is open for business and in relation to an Execution Venue any day on which such Execution Venue is open for business;
"B Shares"	class B shares in LME Holdings having a nominal value of 1p each;
"Call Option"	an Option Contract pursuant to which the Granter gives the Taker the right to buy from the Granter or, in the case of an Index Option, a notional right to buy, to be cash settled;
"a Candidate"	a candidate for Membership of the Exchange;
"Capital Requirements Regulation"	Regulation (EU) No. 575/2013 of the European Parliament and of the Council of 26 June 2013 on

prudential requirements for credit institutions and investment firms as from time to time amended;

"Carry"

(a) in respect of a Metal Future, Premium Contract, LMEmini Future or LMEprecious Future, a Contract for the purchase or sale of a specific number of Lots for one Prompt Date coupled with one or more Futures Contracts of the same type for the sale or, as the case may be, purchase comprising in aggregate the same number of Lots between the same parties for a more distant Prompt Date or Prompt Dates; or

(b) in respect of a Monthly Average Future, a Contract for the purchase or sale of a specific number of Lots for one Prompt Date for a specified metal coupled with one or more Contracts for the sale or, as the case may be, purchase comprising in aggregate the same number of Lots for the same metal between the same parties for a more distant Prompt Date or Prompt Dates;

"Cash"

in relation to the period between 19.31 hours on one Business Day and 19.30 hours on the next Business Day and Contracts entered into in that period, the first Settlement Business Day which falls after the next following Business Day (also referred to as "**SPOT**");

"Cash-Settled Future Daily Settlement Price"

in respect of each Cash-Settled Future, the relevant price determined for margining and daily settlement purposes of such Cash-Settled Future as determined in accordance with Regulation 5.7.1 of the Trading Regulations;

"Cash-Settled Future Final Settlement Price"

in respect of each Cash-Settled Future, the relevant price determined for final settlement purposes of such Cash-Settled Future as determined in accordance with Regulation 5.7.2 of the Trading Regulations;

"Cash-Settled Future"

a cash-settled Exchange-traded futures contract pursuant to which the buyer and seller agree to pay or receive in cash the difference between the level of the relevant Cash-Settled Future Final Settlement Price on the Prompt Date and the level agreed in the Contract, multiplied by the Contract

	size, settled on the relevant Settlement Business Day specified in the relevant Special Contract Rules Cash-Settled Futures and subject to daily marking to market in accordance with the Clearing House Rules and conforming to the other specifications prescribed by the Exchange, including the specific features for the relevant type of Contract set out in the relevant Special Contract Rules for Cash-Settled Futures (and not including, for the avoidance of doubt, an LMEmini Future or an Index Future);
"Cash-Settled Future Index"	in respect of each Cash-Settled Future, the relevant index (or indices, as applicable) or other reference-value specified for the specific type of Cash-Settled Future in the relevant Special Contract Rules for Cash-Settled Futures;
"Cash-Settled Future Last Trading Time"	in respect of each Cash-Settled Future, the last time on the Last Trading Day for such Cash-Settled Future as specified in the relevant Special Contract Rules for Cash-Settled Futures, or as otherwise prescribed by the Exchange from time to time;
"Cash Today"	in relation to Contracts entered into in the period between 19.31 hours on one Business Day and 12.30 hours on the next Business Day, the first Settlement Business Day after the latter Business Day save that there will be no Prompt Date for Cash Today where Cash Today is a Business Day but not a Settlement Business Day (also referred to as "**TOM**" or "**tomorrow**");
"Category 1 Member"	a Member who is: (a) authorised by the Exchange to trade in the Ring; (b) a member of the Clearing House; (c) authorised by the Exchange to clear Cleared LME Base Contracts; (d) authorised by the Exchange to issue Client LME Base Contracts; and (e) granted Category 1 Membership by the Exchange;
"Category 2 Member"	a Member who is:

(a) not authorised by the Exchange to trade in the Ring;

(b) a member of the Clearing House;

(c) authorised by the Exchange to clear Cleared LME Base Contracts;

(d) authorised by the Exchange to issue Client LME Base Contracts; and

(e) granted Category 2 Membership by the Exchange;

"Category 3 Member" a Member who is:

(a) not authorised by the Exchange to trade in the Ring;

(b) a member of the Clearing House;

(c) authorised by the Exchange to clear Cleared LME Base Contracts;

(d) not authorised by the Exchange to issue Client LME Base Contracts; and

(e) granted Category 3 Membership by the Exchange;

"Category 4 Member" a Member who is:

(a) not authorised by the Exchange to trade in the Ring;

(b) not authorised by the Exchange to clear Cleared LME Base Contracts;

(c) authorised by the Exchange to issue Client LME Base Contracts; and

(d) granted Category 4 Membership by the Exchange;

"Category 5 Member" a Member who is:

(a) not authorised by the Exchange to trade in the Ring;

(b) not authorised by the Exchange to clear Cleared Contracts;

(c) not authorised by the Exchange to issue Client Contracts; and

	(d) granted Category 5 Membership by the Exchange;
"Certificate of Analysis"	a certificate of analysis relating to specific Lots of metal which must state the: (i) brand name; (ii) production cast reference; (iii) content within a minimum purity as defined in Special Contract Rule 1 (a) of the relevant section of Part 6 of the Rules; (iv) any other requirements for a given metal as specified in the relevant section of Part 6 of the Rules; (v) any other requirements specified by the Exchange from time to time;
"Chief Executive" or "Chief Executive Officer" or "CEO"	the chief executive officer of the Company, including the "Deputy Chief Executive" and any other person for the time being appointed to perform the duties of Chief Executive of the Company;
"Chief Operating Officer" or "COO"	the chief operating officer of the Company, including the "Deputy Operating Officer" and any other person for the time being appointed to perform the duties of the Chief Operating Officer of the Company;
"Claimant"	the person commencing an arbitration by serving a Notice to Arbitrate;
"Cleared Cash-Settled Future"	a Cleared Contract which is a Cash-Settled Future;
"Cleared Contract"	(a) the Contract or Contracts which may result from the process of acceptance set out in the Clearing House Rules, upon or following Execution; (b) any other Contract or Contracts which may be created between the Clearing House and a Clearing Member in relation to an Agreed Trade by operation of the Clearing House Rules, including, without limitation, any Contract that results from any process under the Clearing House Rules that varies, modifies, transfers, replaces, novates or ports any Contracts within (a) above or any Contract that results from any netting or settlement-to-market process under the Clearing House Rules;
"Cleared Index Contract"	a Cleared Contract which is an Index Contract;

"Cleared Index Future"	a Cleared Contract which is an Index Future;
"Cleared Index Option"	a Cleared Contract which is an Index Option;
"Cleared LME Base Contract"	a Cleared Contract which is not a Cleared LMEprecious Contract;
"Cleared LMEmini Future"	a Cleared Contract which is an LMEmini Future;
"Cleared LMEprecious Contract"	a Cleared Contract which is an LMEprecious Contract;
"Cleared LMEprecious Future"	a Cleared Contract which is an LMEprecious Future;
"Cleared LMEprecious Option"	a Cleared Contract which is an LMEprecious Option;
"Cleared Metal Contract"	a Cleared Contract which is a Metal Contract;
"Cleared Metal Future"	a Cleared Contract which is a Metal Future;
"Cleared Metal Option"	a Cleared Contract which is a Metal Option;
"Cleared Monthly Average Future "	a Cleared Contract which is a Monthly Average Future;
"Cleared Option Contract"	a Cleared Contract which is an Option Contract;
"Cleared Premium Contract"	a Cleared Contract which is a Premium Contract;
"the Clearing House"	such Clearing-house for the time being appointed by the Exchange to clear Contracts;
"the Clearing House Rules"	the rules of the Clearing House that are binding on Clearing Members, as for the time being in force in relation to the Exchange, and the procedures of the Clearing House with respect thereto;
"Clearing Member"	a Member that is permitted by the Clearing House to clear Cleared Contracts, being: (a) in respect of the LME Base Service, a Category 1, 2 or 3 Member; or (b) in respect of the LMEprecious Service, an LMEprecious General Clearing Member or an LMEprecious Individual Clearing Member;
"Clearing Member Transferee"	means a Clearing Member to whom a Client-Related Cleared Contract is transferred in accordance with the Clearing House Rules;

"Clearing Member Transferor" means a Clearing Member from whom a Client-Related Cleared Contract is transferred in accordance with the Clearing House Rules, being the Clearing Member that was the counterparty to the Clearing House under such Cleared Contract immediately prior to the time of such transfer;

"Client" a person who:

(a) is or may be a party to a Client Contract, other than the person who issues the Client Contract; or

(b) otherwise has a client relationship with a Member in relation to any transaction represented by a Contract;

"Client Cash-Settled Future" a Client Contract which is a Cash-Settled Future;

"Client Contract" (a) in respect of the LME Base Service, each of:

(i) an LME Base Contract between a Category 1 or 2 Member and a Category 4 Member; or

(ii) an LME Base Contract between a Category 1, 2 or 4 Member and any other person (as a Client); or

(iii) a Post-Compression Client Contract that is an LME Base Contract; or

(iv) any Contract formed pursuant to the application of a netting, aggregation and/or settlement to market process, applied to any Contract in (i), (ii) or (iii) above,

in each case that is not a Cleared Contract; and

(a) in respect of the LMEprecious Service:

(i) an LMEprecious Contract between an LMEprecious General Clearing Member and an LMEprecious Non-Clearing Member; or

(ii) an LMEprecious Contract between an LMEprecious General Clearing Member or LMEprecious

Non-Clearing Member and any other person (as a Client); or

(iii) any Contract formed pursuant to the application of a netting, aggregation and/or settlement to market process, applied to any Contract in (i) or (ii) above,

in each case that is not a Cleared Contract;

"Client Index Contract"	a Client Contract which is an Index Contract;
"Client Index Future"	a Client Contract which is an Index Future;
"Client Index Option"	a Client Contract which is an Index Option;
"Client LME Base Contract"	a Client Contract which is not a Client LMEprecious Contract;
"Client LMEmini Future"	a Client Contract which is an LMEmini Future;
"Client LMEprecious Contract"	a Client Contract which is an LMEprecious Contract";
"Client LMEprecious Future"	a Client Contract which is an LMEprecious Future;
"Client LMEprecious Option"	a Client Contract which is an LMEprecious Option;
"Client Metal Contract"	a Client Contract which is a Metal Contract;
"Client Monthly Average Future"	a Client Contract which is a Monthly Average Future;
"Client of Concern"	has the meaning given to it in Regulation 12.10.2 of Part 2;
"Client Option Contract"	a Client Contract which is an Option Contract;
"Client Premium Contract"	a Client Contract which is a Premium Contract;
"Client-Related Cleared Contract"	means a Cleared Contract that came into effect between the Clearing House and a Clearing Member pursuant to the Execution of an Agreed Trade, and which corresponds to a Client Contract that came into effect under these Rules at the same time as such Cleared Contract came into effect (and including any Post-Compression Cleared Contracts that may arise following Compression at the Clearing House of any such Cleared Contract);

"Client Traded Average Price Option"	a Traded Average Price Option where either Granter or Taker or each of them is not a Clearing Member;
"Close of Pleadings"	the end of a period of 28 days after the time for submission of the points of reply, unless otherwise ordered by the Tribunal;
"Closing Prices"	the prices determined for margining purposes on each Business Day by the Quotations Committee in accordance with Regulation 6.1 of the Trading Regulations or by the Clearing House in accordance with Regulation 15 of the Trading Regulations;
"The Company" or "The LME"	The London Metal Exchange, a company registered in England and Wales under company number 02128666;
"Compression"	means the replacement of multiple Contracts between the same two parties with a smaller number of Contracts by the aggregation of Contracts having the same direction, together with the netting of Contracts having opposite directions, and which may occur, as the context requires: (a) "at the Clearing House", in relation to Cleared Contracts, subject to and in accordance with the Clearing House Rules; and (b) "under the Exchange Rules", in relation to Underlying Client Contracts that relate to such Cleared Contracts, subject to and in accordance with Regulation 14 of the Contract Regulations, and the terms "same direction" and "opposite direction" shall be construed in accordance with Regulation 1.5 of this Part 1;
"Constituent Metals"	the metals underlying the Index, as set out by way of Notice from time to time;
"Contingent Agreement to Trade"	an agreement between two parties to an Agreed Trade made in the inter-office market, having the characteristics specified in Regulation 2.10 of the Trading Regulations;
"Contract"	(a) a contract for the purchase and sale of one or more Lots of a metal for the time being

dealt in on the Exchange in respect of which:

(1) either the buyer or the seller or each of them is a Category 1, 2, 3 or 4 Member; and

(2) the delivery date is a Prompt Date for the time being permitted by the Rules; and

(3) the price is expressed in a currency for the time being permitted by the Rules; and

(4) the quality and other characteristics of the metal concerned are expressly or impliedly to be as prescribed by the Exchange; or

(b) a Metal Option or Traded Average Price Option which has the characteristics prescribed by or pursuant to the Metal Options Regulations or, as the case may be, the Traded Average Price Options Regulations to enter into a contract falling within (a) above; or

(c) an Index Future or an Index Option which has the characteristics prescribed by the Rules and, as the case may be, the Index Option Regulations; or

(d) an LMEmini Contract which has the characteristics prescribed by the Rules; or

(e) a Monthly Average Future which has the characteristics prescribed by the Rules;

(f) a Cash-Settled Future which has the characteristics prescribed by the Rules;

(g) a Premium Contract which has the characteristics prescribed by the Rules;

(h) an LMEprecious Future which has the characteristics prescribed by the Rules and, as the case may be, the LMEprecious Future Regulations;

(i) an LMEprecious Option which has the characteristics prescribed by the Rules

and, as the case may be, the LMEprecious Option Regulations,

but

(j) shall not include any contract which, by virtue of provisions agreed between the parties at or before the time they enter into the contract as to delivery or otherwise, is clearly intended to be performed otherwise than as prescribed by the Rules;

"Contract Regulations"	the Regulations set out in Part 4 of the Rules;
"Counterparty"	in relation to a party to a Contract, the other party to the same Contract;
"Counter Notice"	a notice served by the Respondent pursuant to Regulation 2.5 of Part 8 of the Rules;
"Cross"	a trade between a Member and its Client, the effect of which is to ensure that a Contract is recorded in the Member's client account at the Clearing House that corresponds to a Client Contract between the Member and such Client, notwithstanding any other Contracts recorded to the client or house accounts of the Member upon Execution of the trade;
"Customer"	a person that initiates pre-trade communications with a Member, and/or requests a quote from a Member, or a person in respect of which a Member initiates pre-trade communications, and including: (a) another Member; or (b) a Client;
"Daily Settling Client Contract"	has the meaning set out in Regulation 9.7.1 of the Trading Regulations;
"Dealer"	a person duly authorised to trade on behalf of a Category 1 Member or in respect of LME Select, a person permitted to deal on LME Select on behalf of an LME Select Participant;
"Dealing Area"	the Ring and surrounding area and corridors (not including booth offices sublet to Category 1 Members) on the relevant floor of the Exchange's premises;

"Dealing Offences"	has the meaning set out in Regulation 11.2.3 of the Trading Regulations;
"Dealing On Own Account"	trading against proprietary capital resulting in the conclusion of transactions in one or more Contracts on the Exchange;
"Declaration Day"	in relation to a Traded Average Price Option for a particular month, the last Business Day in that month;
"Defaulter"	a person whom the Exchange has determined, in accordance with Regulation 2 of the Default Regulations, to be a defaulter;
"Default Notice"	notice of a determination by the Exchange issued pursuant to Regulation 4.1 of the Default Regulations;
"Default Regulations"	the Regulations contained in Part 9 of the Regulations;
"Default Settlement Amount"	the amount payable by one party to the other in respect of an Unsettled Contract to which a Defaulter is a party which is settled under or pursuant to the Default Regulations;
"Default Settlement Price"	(a) in relation to a Metal Future or a Premium Contract or an LMEmini Future, the Closing Price (including the Premium Contract Closing Price and LMEmini Futures Closing Price) for the relevant metal and Prompt Date published next after the time of issue of the Default Notice (determined where necessary by reference to the Closing Price so published for other Prompt Dates); or (b) in relation to an Index Future, the Index Futures Closing Price for the Prompt Date published next after the time of issue of the Default Notice (determined where necessary by reference to the Index Futures Closing Price so published for other Prompt Dates); or (c) in relation to a Metal Option which is not, and is not deemed to be, exercised pursuant to the Default Regulations, the value of such Option determined, pursuant to Regulation 6 of the Trading Regulations

next after the time of issue of the Default Notice; or

(d) in relation to a Traded Average Price Option Contract which is not, and is not deemed to be, exercised pursuant to the Default Regulations, the value of such Option Contract determined, pursuant to Regulation 6 of the Trading Regulations next after the time of issue of the Default Notice; or

(e) in relation to an Index Option which is not, and is not deemed to be, exercised pursuant to the Default Regulations, the value of such Option determined pursuant to Regulation 6 of the Trading Regulations next after the time of issue of the Default Notice; or

(f) in relation to a Monthly Average Future, the difference between the Monthly Average Future Closing Price for the relevant tradeable month for the relevant underlying metal as published after the time of issue of the Default Notice, and the fixed price agreed between the buyer and the seller in the Contract multiplied by the Contract size; or

(g) in relation to a Cash-Settled Future, the Cash-Settled Future Daily Settlement Price for the Business Day next after the time of issue of the Default Notice (determined where necessary by reference to the Cash-Settled Future Daily Settlement Price(s) so determined for other relevant Business Days within the prompt month); or

(h) in relation to an LMEprecious Future, the LMEprecious Daily Settlement Price for the Business Day next after the time of issue of the Default Notice (determined where necessary by reference to the LMEprecious Daily Settlement Price(s) so determined for other relevant Business Days within the prompt month); or

(i) in relation to an LMEprecious Option which is not, and is not deemed to be,

exercised pursuant to the Default Regulations, the value of such Option determined pursuant to Regulation 6 of the Trading Regulations next after the time of issue of the Default Notice; or

(j) such other price or prices as the Exchange may, in its absolute discretion, determine taking into account, without prejudice to the generality of the foregoing, the timing of the Default Notice, and the appropriateness of using prices and values determined next after the time of issue of the Default Notice, as referred to in paragraphs (a) to (i) above;

"Defence"	has the meaning set out in Regulation 14.14 of the Membership Regulations;
"Delta Hedged Strategy"	has the meaning set out in Regulation 2.14.2 of the Trading Regulations;
"Delivery Point"	a specific geographic area within which warehouses may be listed and approved by the Exchange for the issue of Warrants;
"Deposit"	such sum as may be specified by Administrative Procedure from time to time;
"Direct Electronic Access"	an arrangement where a Member permits a Client to use its trading code so the Client can electronically transmit orders relating to a financial instrument (as such term is defined in Article 4(1)(15) of MiFID II) directly to the Exchange, and which term includes Direct Market Access and Sponsored Access;
"Direct Market Access"	an arrangement where a Member permits a Client to use its trading code so the Client can electronically transmit orders relating to a financial instrument (as such term is defined in Article 4(1)(15) of MiFID II) directly to the Exchange, in circumstances where the Client uses the infrastructure of the Member, or any connecting system provided by the Member, to transmit the orders;
"the Directors"	each person who is a director of the Company;
"Disciplinary Committee"	a committee appointed pursuant to Regulation 14.79 of the Membership Regulations;

"Disciplinary Notice"	has the meaning set out in Regulation 14.13 of the Membership Regulations;
"eCOA"	means either a Basic eCOA or an Enhanced eCOA;
" eCOA System"	means a technological system provided by the Exchange through which, amongst other things, details of Paper COAs may be entered, eCOAs may be created and eCOAs may be viewed;
"Electronic Pricing Commencement Determination"	has the meaning set out in Regulation 5.5 of the Trading Regulations;
"EMIR"	means Regulation (EU) No 648/2012 of the European Parliament and of the Council of 4 July 2012 on OTC derivatives, central counterparties and trade repositories, as from time to time amended;
"EMIR Level 2 (Indirect Clearing) Regulation"	means Commission Delegated Regulation (EU) No 149/2013 of 19 December 2012 supplementing the EMIR Level 1 Regulation with regard to regulatory technical standards on indirect clearing arrangements, the clearing obligation, the public register, access to a trading venue, non-financial counterparties, risk mitigation for OTC derivatives contracts not cleared by a CCP, as amended from time to time (including, for the avoidance of doubt, as amended by Commission Delegated Regulation (EU) 2017/2155 of 22 September 2017);
"Enforcement Committee"	shall comprise four members chosen from the Directors of the LME, appointed by the Exchange in consultation with the Chairman. The quorum for the Enforcement Committee shall be three members. The Enforcement Committee shall not be quorate unless there is at least one independent Director present;
"Enhanced eCOA"	means an electronic Certificate of Analysis, which is created within the eCOA System, and which meets the critera for an Enhanced eCOA as specified by the Exchange from time to time;

"EU Withdrawal Date"	the later of: (a) the date from which the UK ceases to be a member of the European Union; and (b) the date of expiry of any transitional period under which European Union laws in respect of financial services cease to have direct effect in the UK;
"Event of Default"	any of the events set out in Regulation 1 of the Default Regulations;
"the Executive" or "Executive Committee" or "EXCOM"	is a sub-committee of the board of directors of the Company, to which the board may from time to time delegate certain powers and responsibilities as it sees fit;
"Expiry Day"	in relation to: (a) a Metal Option, the Business Day on which the Contract shall automatically exercise or be abandoned, as specified in the Metal Options Regulations; or (b) an LMEprecious Option, the Business Day on which the Contract shall automatically exercise or be abandoned, as specified in the LMEprecious Option Regulations;
“Expiry Time”	in relation to Metal Options, the time on the Expiry Day that the relevant Option shall expire;
"the Exchange"	according to context, the London Metal Exchange administered by the Company, or the premises where Ring trading is conducted;
"Exchange Traded Average Price Option"	a Traded Average Price Option where both Granter and Taker are Clearing Members;
"Execution"	the execution of an Agreed Trade, being the point at which the transaction represented by the Agreed Trade is concluded, resulting in the formation of one or more Contracts (and "Executed" shall be interpreted accordingly);
"Execution Time"	the time at which Execution occurs, as specified for each Execution Venue in Regulation 2.3, 2.4, 2.5 or 2.11.2 (as applicable) of the Trading Regulations (and such time being the "Acceptance Time" for the purposes of the Clearing House Rules);

"Execution Venue"	has the meaning set out in Regulation 2.2.2 of the Trading Regulations;
"Exercise Reference Price"	the price by reference to which a Metal Option, or an LMEprecious Option, as applicable, shall be exercised on its Expiry Day;
“Extracted Warrant”	has the meaning set out in Regulation 13.1 of the LMEsword Regulations;
"FCA"	The Financial Conduct Authority;
"FCA Principles and Guidance Releases"	the FCA Principles as set out in the Principles for Business (PRIN) Sourcebook of the FCA Handbook (as may be updated or replaced from time to time) and any other guidance notes published by the FCA from time to time, including but not limited to Market Watch, guidance and supervisory findings;
"Fees"	any fees or charges payable by a Member to the Exchange under the Rules as set out on the LME website, as amended by the Exchange from time to time;
"Ferrous Future"	a Cash-Settled Future, the Cash-Settled Future Final Settlement Price for which is determined by reference to a ferrous metal-based index or indices or other reference-value, and which has the features specified in the relevant Special Contract Rules for Cash-Settled Futures - Ferrous;
"FIA"	the Futures Industry Association or any successor to its functions in representing the interests of the futures, options and derivatives markets;
"Financial OTC Booking Fee Policy"	means the policy of the Exchange specifying the basis on which Members and other persons shall be required to report to the Exchange certain transactions in financial instruments that are executed outside the facilities of the Exchange, and to pay to the Exchange Fees in respect of such transactions, subject to, and in accordance with, the requirements of such policy, as such policy may be updated by the Exchange from time to time in accordance with the requirements and processes set out therein;
"Firm Quote"	an order or quote that under these Rules can be matched against an opposite order or quote;

"Fixed Price Auction"	a public auction, conducted in accordance with the requirements set out in Trading Regulation 2.15.8;
"Fixed Penalty"	a financial penalty, set out in a Notice, imposed by the Exchange on a Member, Dealer or Member Representative in relation to a Fixed Penalty Offence;
"Fixed Penalty Appeal"	an appeal lodged in accordance with Regulation 14.8 of the Membership Regulations in respect of an Exchange decision to impose a Fixed Penalty;
"Fixed Penalty Notice"	a letter sent by the Exchange to a Member, Dealer or Member Representative notifying the Member, Dealer or Member Representative of its intention to impose a Fixed Penalty;
"Fixed Penalty Notice of Appeal"	a letter sent by a Member, Dealer or Member Representative to the Head of Enforcement notifying the Head of Enforcement that it wishes to lodge a Fixed Penalty Appeal in accordance with Regulation 14.8 of the Membership Regulations;
"Fixed Penalty Offence"	an offence as specified by a Notice and as amended from time to time;
"Former Member"	has the meaning set out in Regulation 10.5 of the Membership Regulations;
"FSMA"	the Financial Services and Markets Act 2000, as from time to time amended;
"Futures Contract"	a Metal Future, Premium Contract, LMEmini Future, Index Future, Cash-Settled Future or LMEprecious Future;
"Global Legal Entity Identifier System"	the global system operated under the oversight of the LEI ROC to register legal entities and assign legal entity identifiers to such entities;
"Go Live Date"	has the meaning set out in Regulation 5.4 of the Membership Regulations;
"Gold"	Loco London Fine Gold held in London and complying with standards relating to good delivery and fineness acceptable to the Precious Metal Clearer of the Clearing House for the purpose of effecting settlement with the Clearing House, as such standards are in effect from time to time;
"Granter"	the seller under a Traded Option;

"Group"	in relation to any company, any company that is a "group undertaking" of that company, as defined in section 1161 of the Companies Act 2006;
"Head of Enforcement"	the Head of Enforcement and any other person within the Exchange for the time being appointed to perform the duties of the Head of Enforcement;
"Head of Market Surveillance"	the Head of Market Surveillance and any other person within the Market Surveillance division of the Exchange for the time being appointed to perform the duties of the Head of Market Surveillance;
"Honorary Member"	a Member who is granted honorary Membership of the Exchange by the Exchange;
"Immobilised Warrant"	has the meaning set out in Regulation 13.1 of the LMEsword Regulations;
"Implementation Date"	means the date on which a Transitional Change shall take effect;
"Implementation Time"	means the time, on the Implementation Date, that the Transitional Change shall take effect;
"In the Money"	(a) in relation to a Metal Option, that the Strike Price is, in the case of a Put Option, above or, in the case of a Call Option, below the Exercise Reference Price at the relevant time for the relevant metal and Prompt Date; or (b) in relation to a Traded Average Price Option, that the Strike Price is, in the case of an Average Price Put Option, above or, in the case of an Average Price Call Option, below the last published Moving Monthly Average Settlement Price or Monthly Average Settlement Price at the relevant time for the relevant metal and Prompt Date; or (c) in relation to an Index Option, that the Strike Price is, in the case of a Put Option, above or, in the case of a Call Option, below the Settlement Price or last published Closing Price at the relevant time for the relevant Index Option and Prompt Date;

(d) in relation to an LMEprecious Option, that the Strike Price is, in the case of a Put Option, above or, in the case of a Call Option, below the Exercise Reference Price at the relevant time for the relevant LMEprecious Option and Expiry Day;

"Incentive Programme" has the meaning set out in Regulation 22.2 of the Membership Regulations;

"Incentive Programme Benefits" has the meaning set out in Regulation 22.3 of the Membership Regulations;

"Incentive Programme Requirements" has the meaning set out in Regulation 22.3 of the Membership Regulations;

"Index" an index denominated in US dollars the level of which is determined in accordance with the Special Contract Rules for the Construction of the Index;

"Index Contract" an Index Future or an Index Option;

"Index Future" a cash-settled Exchange-traded futures contract pursuant to which the buyer and seller agree to pay or receive in cash the difference between the level of the Index on the Prompt Date and the level agreed in the Contract, multiplied by the Contract size, settled on the Settlement Business Day next following the Prompt Date and subject to daily marking to market in accordance with the Clearing House Rules and conforming to the other specifications prescribed by the Exchange;

"Index Futures Closing Price" the Closing Price of an Index Future as determined in accordance with Regulation 6 of the Trading Regulations;

"Index Option" a cash-settled Exchange-traded option contract over the Index pursuant to which the Granter grants the Taker a right to receive in cash from the Granter the difference between the level of the Index on the Prompt Date and the Strike Price, multiplied by the Contract size, settled on the Settlement Business Day next following the Prompt Date and conforming to the other specifications prescribed by the Exchange;

"Index Options Regulations" the Regulations set out in Part 5C of the Rules;

"Indirect Clearing Arrangement" means an "indirect clearing arrangement" within the meaning of the Indirect Clearing Regulations;

"Indirect Clearing Regulations"	means the EMIR Level 2 (Indirect Clearing) Regulation or the MiFID II Level 2 (Indirect Clearing) Regulation, as applicable, and any successor legislation amending or incorporating the requirements thereto in any relevant jurisdiction from time to time;
"Indirect Client"	means an indirect Client of a Clearing Member, being a Client of a Category 4 Member, where such Category 4 Member is a Client of the Clearing Member;
"Indirect Client Account"	means a segregated account maintained by a Clearing Member in respect of the Client business of a single Category 4 Member, such that it records positions only in respect of Client-Related Cleared Contracts that have been created pursuant to the registration of Client Contracts relating to one or more Clients of that Category 4 Member (such Clients being Indirect Clients of the Clearing Member);
"Initial Margin"	(a) in relation to a Cleared Contract, the sum of money fixed by the Clearing House in consultation with the Exchange and in respect of which Members may be required to provide to the Clearing House cover in accordance with the Clearing House Rules; (b) in relation to a Client Contract, such sum as may be agreed between the parties provided that such sum is equal to or greater than the amount in (a) above;
"Inter-Office Order"	a bid or offer or actionable indication of interest for a trade that is made in the inter-office market;
"Intellectual Property Rights"	patents, trade marks, rights in logos, get-up, trade names, internet domain names, rights in designs, copyright (including rights in computer software) and moral rights, database rights, rights of confidentiality, semi-conductor topography rights, utility models, trade secrets, inventions, rights in know-how and other intellectual property or proprietary rights, in each case whether registered or unregistered and including applications for registration, and all rights or forms of protection having equivalent or similar effect to the foregoing which may now or in the future subsist in, apply to or are enforceable in, any jurisdiction in the world;

"Investigation"	an investigation undertaken by the Exchange pursuant to Regulation 13 of the Membership Regulations;
"Invoicing Back"	the procedure so described in the Clearing House Rules;
"IOM PTT Initiating Pair"	has the meaning set out in Regulation 2.15.8 of the Trading Regulations;
"Jurisdictions Notice"	the Notice issued by the Exchange setting out the jurisdictions from which Members may access the Exchange's facilities, and any conditions to be complied with by Members wishing to access the Exchange from such jurisdictions;
"Last Declaration Day"	(a) in relation to a Metal Option for a particular month, the first Wednesday in that month or, if that is not a Business Day, the next day which is a Business Day; (b) in relation to an Index Option for a particular month, up to 16.35 hours on the second Wednesday in that month or, if that is not a Business Day, the next day which is a Business Day;
"Last Trading Day"	(a) in relation to a Metal Option, the Business Day preceding the Expiry Day for that Option; (b) in relation to a Traded Average Price Option, the Business Day preceding the Declaration Day of the relevant month for that Traded Average Price Option; (c) in relation to an Index Option, the Last Declaration Day for that Index Option; (d) in relation to an LMEmini Future, the Business Day which is two Business Days before the Prompt Date; (e) in relation to a Monthly Average Future, the last Business Day of the relevant tradeable month; (f) in relation to a Cash-Settled Future, the day specified as the relevant "Last Trading Day" in the Special Contract Rules for Cash-Settled Futures;

(g) in relation to a Premium Contract, the Business Day which is two Business Days before the Prompt Date; or

(h) in relation to an LMEprecious Future, the Business Day which is one Business Day before the Prompt Date;

(i) in relation to an LMEprecious Option, the Business Day which is one Business Day before the Expiry Day;

"LEI ROC" the Legal Entity Identifier Regulatory Oversight Committee;

"Lending Rules" the lending rules set out in the Exchange's Policy Relating to Position Management Arrangements (including any clarification, revision or explanation of such lending rules issued by the Exchange from time to time, including any replacement policy) taken together with Regulation 18 of the Trading Regulations;

"LME Base Contract" a Contract that is not an LMEprecious Contract;

"LME Base Member" a Category 1 Member, Category 2 Member, Category 3 Member, Category 4 Member or Category 5 Member;

"LME Base Service" the availability of the facilities of the Exchange for the trading of LME Base Contracts;

"LME Data" all data relating to trading on the Exchange, including, without limitation:

(a) the LME-determined prices and data relating to LME-determined prices, other than any prices determined by the Clearing House or by the LME as delegate of the Clearing House; and

(b) data relating to Contracts, Default Settlement Amounts, Indexes, Warrants and Weightings;

"LME Holdings" LME Holdings Limited, a company registered in England and Wales under company number 4081219, being the sole member of the Company;

"LMEmini Contract" an LMEmini Future;

"LMEmini Future" a cash-settled Exchange-traded futures contract pursuant to which the buyer and seller agree to pay

	or to receive in cash the difference between the Settlement Price of the underlying metal on the Prompt Date and the price of the underlying metal agreed in the Contract, multiplied by the Contract size, settled on the Prompt Date and subject to daily marking to market in accordance with the Clearing House Rules and conforming to the other specifications prescribed by the Exchange;
"LMEmini Futures Closing Price"	the Closing Price of the relevant underlying Metal Future as determined in accordance with Regulation 6 of the Trading Regulations;
"LMEmini Last Trading Time"	the last trading time on the Last Trading Day for LMEmini Contracts as specified in the Special Contract Rules for LMEmini Contracts or as otherwise prescribed by the Exchange from time to time;
"LMEprecious Clearing Member"	an LMEprecious General Clearing Member or an LMEprecious Individual Clearing Member;
"LMEprecious Contract"	a Contract that is: (a) an LMEprecious Future; or (b) an LMEprecious Option, and any other type of Exchange-traded derivative contract having Precious Metal as its underlying instrument, that the Exchange may specify from time to time;
"LMEprecious Daily Settlement Price"	the price determined for margining and daily settlement purposes of an LMEprecious Future as determined in accordance with Regulation 5.7 of the Trading Regulations;
"LMEprecious Final Settlement Price"	the price determined for final settlement purposes of an LMEprecious Future as determined in accordance with Regulation 5.7 of the Trading Regulations;
"LMEprecious Future"	a physically settling Exchange-traded futures contract pursuant to which the seller agrees to sell to the buyer one or more Lots of Precious Metal for delivery on a specified Prompt Date, and conforming with the other specifications prescribed by the Exchange;
"LMEprecious Future Regulations"	the regulations set out in Part 13A of the Rules;

"LMEprecious General Clearing Member"	a Member that is: (a) a member of the Clearing House; (b) authorised by the Exchange to clear Cleared LMEprecious Contracts; (c) authorised by the Exchange to issue Client LMEprecious Contracts; and (d) granted LMEprecious Membership, with the categorisation as an LMEprecious General Clearing Member;
"LMEprecious Individual Clearing Member"	a Member that is: (a) a member of the Clearing House; (b) authorised by the Exchange to clear Cleared LMEprecious Contracts; (c) not authorised by the Exchange to issue Client LMEprecious Contracts; and (d) granted LMEprecious Membership, with the categorisation as an LMEprecious Individual Clearing Member;
"LMEprecious Member"	an LMEprecious General Clearing Member, LMEprecious Individual Clearing Member or LMEprecious Non-Clearing Member;
"LMEprecious Non-Clearing Member"	a Member that is: (a) not authorised by the Exchange to clear Cleared LMEprecious Contracts; (b) authorised by the Exchange to issue Client LMEprecious Contracts; and (c) granted LMEprecious Membership, with the categorisation as an LMEprecious Non-Clearing Member;
"LMEprecious Option"	an Exchange-traded, European-style option contract pursuant to which the Granter grants to the Taker the right to buy from or sell to the Granter a Lot of a Precious Metal at a specified Strike Price in a specified month;
"LMEprecious Option Regulations"	the regulations set out in Part 13B of the Rules;

"LMEprecious Regulations"	the regulations set out in Part 13 of the Rules, and comprising the LMEprecious Future Regulations and the LMEprecious Option Regulations;
"LMEprecious Service"	the availability of the facilities of the Exchange for the trading of LMEprecious Contracts;
"LME Select"	a system provided by the Exchange to enable the anonymous electronic trading of Contracts by LME Select Participants in accordance with the Rules and any Administrative Procedures issued by the Exchange from time to time;
"LME Select API"	a FIX or binary protocol application approved by the Exchange which enables LME Select Participants and their Clients to connect to LME Select for the purpose of facilitating the electronic trading of Contracts;
"LME Select Participant"	a Trading Member who is permitted to use LME Select;
"LME Select Offences"	a breach by an LME Select Participant(s) of the provisions of Regulation 12 of the Trading Regulations;
"LMEsword"	the system for, inter alia, the electronic transfer of Warrants governed and constituted by the LMEsword Regulations;
"LMEsword Regulations"	the regulations governing the operation of LMEsword issued by the Exchange as amended from time to time in accordance with the terms thereof and forming Part 10 of the Rules;
"Lot"	(a) in relation to a metal (that is not covered by another type of Contract specified below), the standard unit of quantity thereof, specified in the Special Contract Rules for that metal, by reference to which settlement is to be made; or (b) in relation to the Index, the standard value per point movement for that Index, specified in the Special Contract Rules for the Construction of the Index, by reference to which settlement is made; or (c) in relation to an LMEmini Contract, the standard unit of quantity thereof, specified in the Special Contract Rules for LMEmini

Contracts, by reference to which settlement is made; or

(d) in relation to a Monthly Average Future, the standard unit of quantity thereof, specified in the Monthly Average Future Regulations, by reference to which settlement is made; or

(e) in relation to a Cash-Settled Future, the standard unit of quantity thereof, specified in respect of the specific Cash-Settled Future in the relevant Special Contract Rules for Cash-Settled Futures, by reference to which settlement is made;

(f) in relation to a Premium Contract, the standard unit of quantity thereof, specified in the Premium Contract Regulations, by reference to which settlement is made; or

(g) in relation to an LMEprecious Future, the standard unit of quantity of Precious Metal specified in the LMEprecious Regulations, by reference to which settlement is to be made;

"LPMCL"	London Precious Metals Clearing Limited, a company registered in England and Wales under company number 04195299;
"Major Currency"	in respect of a metal, the currency in which the Settlement Price and Closing Price are to be determined;
"Market Making Strategy"	a strategy performed by a Member or Client, when Dealing On Own Account, that involves posting Firm Quotes that are simultaneous two-way quotes of comparable size and at competitive prices relating to one or more Contracts, with the result of providing liquidity on a regular and frequent basis to the overall market;
"Matching Period"	a period prescribed pursuant to Regulation 3.4 of the Trading Regulations;
"Matching Rules"	means the LME's matching rules governing the use of the Matching System as published by the LME, by Notice from time to time;
"Matching System"	the system operated by or on behalf of the Exchange for the matching and confirmation of

	Contracts, or such other system as may from time to time be adopted by the Exchange for such purposes;
"Matching System RIB Screens"	means the RIB-specific sub-screens of the Matching System, which are accessible to: (a) Members, for the purposes of RIB permissioning and management of RIB-arranged trades; and (b) RIBs, for the purposes of inputting the details of Agreed Trades into the Matching System;
"Member"	an Undertaking or individual admitted to Membership of the Exchange in accordance with the Rules;
"Membership"	(a) the state of being a Member; (b) having the status of a Member; and/or (c) the total body of Members, as the context of the Rules requires.
"Membership Regulations"	the Regulations set out in Part 2 of the Rules;
"Member Representative"	means any person other than a Dealer on Exchange premises working for or on behalf of a Ring Dealing Member;
"Metal Contract"	a Metal Future or Metal Option;
"Metal Future"	an Exchange-traded futures contract pursuant to which the seller agrees to sell to the buyer one or more Lots of metal for delivery on a specified Prompt Date (excluding any Cash-Settled Future, Premium Contract or LMEprecious Contract);
"Metal Option"	an Exchange-traded option contract pursuant to which the Granter grants to the Taker the right to buy from or sell to the Granter a Lot of a specified metal at a specified Strike Price in a specified month (excluding any LMEprecious Option);
“Metal Options Daily Settlement Price”	the price determined for margining and daily settlement purposes of a Metal Option as determined in accordance with Regulation 5.7 of the Trading Regulations;
"Metal Options Regulations"	the Regulations set out in Part 5A of the Rules;

"MiFID II"	the package of legislative measures comprising: (a) Directive 2014/65/EU of the European Parliament and of the Council of 15 May 2014 on markets in financial instruments; (b) Regulation (EU) No 600/2014 of the European Parliament and of the Council of 15 May 2014 on markets in financial instruments and amending EMIR; and (c) any delegated regulations made by the European Commission thereunder including, without limitation, the MiFID II (Indirect Clearing) Regulation, the MiFID II Transparency RTS and the MiFID II Algorithmic Trading RTS, as from time to time amended;
"MiFID II Algorithmic Trading RTS"	Commission Delegated Regulation (EU) 2017/589 of 19 July 2016 supplementing Directive 2014/65/EU of the European Parliament and of the Council with regard to regulatory technical standards specifying the organisational requirements of investment firms engaged in algorithmic trading;
"MiFID II (Indirect Clearing) Regulation"	Commission Delegated Regulation (EU) 2017/2154 of 22 September 2017 supplementing Regulation (EU) No 600/2014 of the European Parliament and of the Council with regard to regulatory technical standards on indirect clearing arrangements;
"MiFID II Transparency RTS"	Commission Delegated Regulation (EU) 2017/583 of 14 July 2016 supplementing Regulation (EU) No 600/2014 of the European Parliament and of the Council with regard to regulatory technical standards on transparency requirements for trading venues and investment firms in respect of bonds, structured finance products, emission allowances and derivatives;
"MiFIR"	Regulation (EU) No 600/2014 of the European Parliament and of the Council of 15 May 2014 on markets in financial instruments and amending EMIR;

"Minor Offences"	has the meaning set out in Regulation 11.2.3 of the Trading Regulations;
"Monthly Average Future"	a cash-settled Exchange-traded contract pursuant to which the buyer and seller agree to pay or to receive in cash the difference between (i) the Monthly Average Settlement Price for a specified metal and for a specified tradeable month and (ii) the fixed price agreed between the buyer and the seller in the Contract, multiplied by the Contract size, settled on the Prompt Date and subject to daily marking to market in accordance with the Clearing House Rules and conforming to the other specifications prescribed by the Exchange;
"Monthly Average Future Closing Price"	the Notional Average Price for the relevant month of calculation;
"Monthly Average Future Regulations"	the Regulations set out in Part 11 of the Rules;
"Monthly Average Settlement Price"	(a) in relation to an Average Price Call Option, the price at which the Taker will sell to the Granter if the Traded Average Price Option is declared; (b) in relation to an Average Price Put Option, the price at which the Taker will buy from the Granter if the Traded Average Price Option is declared; (c) in relation to a Monthly Average Future for a particular tradeable month, the aggregate of the Settlement Prices for the relevant metal for every Business Day in the relevant tradeable month divided by the number of Business Days for that month and which is calculated and published by the Exchange; and (d) in relation to a Traded Average Price Option for a particular month, the aggregate of the Settlement Prices for the relevant metal for every Business Day in the relevant tradeable month divided by the number of Business Days for that month and which is calculated and published by the Exchange, in each case as determined in accordance with the applicable Pricing Methodology.

"Moving Monthly Average Settlement Price"	in relation to a Traded Average Price Option or a Monthly Average Future for a particular month, the aggregate of the Settlement Prices for the relevant metal for every Business Day to date in the relevant tradeable month divided by the number of Business Days to date for that month and which is calculated and published by the Exchange;
"New Contract"	has the meaning set out in Regulation 15.1 of the Contract Regulations;
"Non-Benchmark Reference Price"	a reference price provided by the Exchange and which is not a Benchmark;
"Non-Clearing Member"	(a) a Category 4 Member; or (b) an LMEprecious Non-Clearing Member, as the context of the Rules requires;
"Non-Ferrous Future"	a Cash-Settled Future, the Cash-Settled Future Final Settlement Price for which is determined by reference to non-ferrous metal-based index (or indices, as applicable) or other reference-value, and which has the features specified in the relevant Special Contract Rules for Cash-Settled Futures - Non-Ferrous;
"Non-LME Multi Dealer Trading System"	means: (a) an exchange or other trading venue which is not operated by the Exchange or its Affiliates; or (b) any other system, granting access to more than one trading party, to facilitate the arrangement and/or execution of bilateral contracts between such parties, outside the trading venue or systems operated by the Exchange or its Affiliates, but shall not include a Single Dealer to Client Platform;
"Non-LME Platform Contract"	means any contract or product that is traded on, executed on, or otherwise arranged or agreed via a Non-LME Multi Dealer Trading System;
"Non-Material Amendment"	has the meaning set out in Regulation 15.1 of the Contract Regulations;

"Notice of Appeal"	a document prepared by either (i) a Member, Dealer or Member Representative, or (ii) the Exchange, and served on the Chairman of the Appeal Panel and the other party in relation to an appeal of a Disciplinary Committee's decision and which meets the requirements set out in Regulations 14.39 to 14.41 of the Membership Regulations;
"Notice to Arbitrate"	a notice served by the Claimant pursuant to Regulation 2.1 of Part 8 of the Rules;
"Notional Average Price"	in relation to each metal for a particular month, the price as calculated using Settlement Prices and Closing Prices as appropriate, in accordance with the applicable Pricing Methodology, representing the rolling mean average daily price of one lot of the relevant metal for that month;
"Offence" or "Offences"	has the meaning set out in Regulation 11.2.3 of the Trading Regulations;
"Official Prices"	the prices determined in accordance with Regulation 5 of the Trading Regulations;
"Opening Hours"	means the hours on each Business Day during which the Matching System is open and able to receive information regarding Agreed Trades, as specified by the Exchange by Administrative Procedures from time to time;
"Operating Procedures"	the manual issued by the Exchange pursuant to the LMEsword Regulations setting out detailed procedures and information relating to the operation of LMEsword;
"Option Contract"	a Metal Option or an Index Option or an LMEprecious Option;
"Order-routing Eligibility Requirement"	means the requirement under MiFID II for a member or a participant in a trading venue to only be permitted to provide direct electronic access to the venue if the member or participant is one of the following: (a) an investment firm, as defined under the RAO, which has permission under Part 4A of FSMA to carry on a regulated activity being any of the investment services or activities defined under s417 of FSMA;

(b) a qualifying credit institution that has permission under Part 4A of FSMA to carry on the regulated activity of accepting deposits, as specified in the RAO;

(c) a person who falls within regulation 30(1A) of the Financial Services and Markets Act 2000 (Markets in Financial Instruments) Regulations 2017 (or any successor regulation to it) and has permission under Part 4A of FSMA to carry on a regulated activity being any of the investment services or activites defined under s147 of FSMA;

(d) a firm providing Direct Electronic Access subject to the exclusion in regulation 11(1) of The Financial Services and Markets Act 2000 (Markets in Financial Instruments) Regulations 2017 (or any successor regulation to it);

(e) a firm where the provision of the Direct Electronic Access by that firm is subject to the exclusion in article 72 of the RAO;or

(f) a firm which does not come within paragraph (d) or (e) but is otherwise permitted to provide Direct Electronic Access under FSMA;

"Out of Scope Order"	an Inter-Office Order that is not required to be made transparent pursuant to the Pre-Trade Transparency Requirements, as identified in accordance with Regulation 2.15.3 of the Trading Regulations;
"Overseas Undertaking"	an undertaking which is a body corporate incorporated outside of the United Kingdom or if not itself a body corporate, its principal or managing member is a body corporate incorporated outside of the United Kingdom;
"Panel"	the Arbitration Panel of the Company;
"Panel Committee"	a committee appointed by the Exchange to oversee the conduct of arbitrations pursuant to the Arbitration Regulations, and in particular to perform the functions and powers referred to in the Arbitration Regulations;

"Paper COA"	a hard copy Certificate of Analysis, which may be a bulk analysis certificate, and which must be produced by either: (a) the producer of the underlying metal; or (b) a LME Listed Sampler and Assayer (a "**LSA**") who will sample and analyse material in accordance with Exchange-specified instructions to LSAs;
"Parent Undertaking"	the same meaning as set out in section 1162 of the Companies Act 2006;
"Position Limits"	the position limits applied by the Exchange on any Contract or Contracts from time to time in accordance with requirements specified by the Exchange by Notice;
"Position Netting"	means the netting of multiple Contracts between the same two parties to a smaller number of Contracts (which may take effect through the netting of long and short positions or the aggregation of long positions and short positions respectively) and/or the close out by netting of multiple Contracts, (in each case) in accordance with such process as may be specified in the Clearing House Rules, and which may occur, as the context requires: (a) "at the Clearing House", in relation to Cleared Contracts, subject to and in accordance with the Clearing House Rules; and (b) "under the Exchange Rules", in relation to Underlying Client Contracts that relate to such Cleared Contracts, subject to and in accordance with Regulation 9.7.7 of the Trading Regulations;
"Post-Compression Cleared Contract"	a Cleared Contract that comes into effect between the Clearing House and a Clearing Member upon Compression at the Clearing House, which represents the positions under pre-Compressed Cleared Contracts, as compressed by the Clearing House in accordance with the Clearing House Rules;
"Post-Compression Client Contract"	a Client Contract that comes into effect upon Compression under the Exchange Rules, in accordance with Regulation 14 of the Contract

	Regulations, which shall replace the Client Contracts that were subject to such Compression and which shall come into effect between the same parties as were parties to such original Client Contracts;
"Precious Metal"	Gold or Silver;
"Precious Metal Clearer"	a member of LPMCL (or any successor company or association) that is an "Approved Delivery Facility" for the purposes of the Clearing House Rules;
"Precious Metal Clearing System"	the system operated by LPMCL (or any successor company or association), or any successor system, for the electronic settlement of unallocated Precious Metal between Precious Metal Clearers);
"Pre-Execution Checks"	the checks applied to an Agreed Trade within the systems of the Exchange and the Clearing House prior to confirmation that the Agreed Trade may be Executed, as specified in Regulation 2.8 of the Trading Regulations;
"Premium Contract"	an Exchange-traded futures contract having the features described in the Premium Contract Regulations;
"Premium Contract Closing Price"	the Closing Price for each Premium Contract;
"Premium Contract Last Trading Time"	the last trading time on the Last Trading Day for Premium Contracts as specified in the Premium Contract Regulations or as otherwise prescribed by the Exchange from time to time;
"Premium Contract Price"	the cash consideration payable under a Premium Contract, as agreed at the time of formation of the Premium Contract;
"Premium Contract Regulations"	the Regulations set out in Part 12 of the Rules;
"Premium Warrant"	a Warrant issued by a Qualifying Premium Warrant Warehouse;
"Premium Warrant Jurisdiction"	a geographical jurisdiction specified as such in the Premium Contract Regulations;
"Pre-Trade Communication"	has the meaning set out in Regulation 2.15.6 of the Trading Regulations;
"Pre-Trade Transparency Requirements"	the requirements, under Article 8 of MiFIR and any rules and guidance of the FCA implementing such requirements with which the Exchange is

required to comply, for a market operator to make public current bids and offer prices and the depth of trading interests at prices advertised through its system;

"Pricing Methodology" — in respect:

(a) of any Benchmark, the methodology applied by the Exchange to determine such Benchmark;

(b) any Non-Benchmark Reference Price the methodology applied by the Exchange to determine such Non-Benchmark Reference Price,

in each case as may be specified by the Exchange by way of Notice or on the public website maintained by the Exchange at www.lme.com;

"Private Warning" — means a written warning served on a Member, Dealer or Member Representative by the Exchange in accordance with Regulations 14.2 to 14.4 of the Membership Regulations;

"Product Specifications" — means the specifications, features and/or terms of any Contract listed for trading on the Exchange, as described in the Rules and Administrative Procedures;

"Prompt Date"

(a) in relation to a Metal Future, LMEmini Future, Premium Contract or a Monthly Average Future, the Business Day on which, having regard where relevant to Regulation 8 of the Trading Regulations, the Contract is to be settled;

(b) in relation to an Index Contract, the Business Day on which, having regard where relevant to Regulation 8 of the Trading Regulations, the Settlement Price of the Index is determined, with settlement of the Contract on the next Settlement Business Day;

(c) in relation to a Cash-Settled Future, the date specified as the relevant "Prompt Date" in the Special Contract Rules for Cash-Settled Futures;

(d) in relation to an LMEprecious Future, the Business Day on which, having regard

where relevant to Regulation 8 of the Trading Regulations and the LMEprecious Regulations, the Contract is to be settled; or

(e) in relation to an LMEprecious Option, the Prompt Date of the underlying LMEprecious Future, as determined in accordance with the LMEprecious Option Regulations, and comprising the Business Day on which such LMEprecious Future is to be settled;

"PTT Exempt Order"	an Inter-Office Order that is not required to be publicised in accordance with the Pre-Trade Transparency Requirements, due to the application of: (a) a PTT Waiver; or (b) the PTT Hedging Exemption;
"PTT Hedging Exemption"	has the meaning set out in Regulation 2.15.5 of the Trading Regulations;
"PTT Order"	an Inter-Office Order that is not an Out of Scope Order or a PTT Exempt Order;
"PTT Waiver"	a waiver from the application of the Pre-Trade Transparency Requirements, granted to the Exchange by a competent regulatory authority;
"Put Option"	an Option Contract pursuant to which the Granter gives the Taker the right to sell to the Granter or in the case of an Index Option, the notional right to sell to be cash settled;
"Qualifying Premium Warrant Warehouse"	a listed warehouse for the storage of metal which satisfies the criteria specified by the Exchange from time to time and which is located in a Premium Warrant Jurisdiction;
"Quotations Committee"	a committee authorised by the Exchange to be responsible for determining Closing Prices and Settlement Prices;
"RAO"	means the Financial Services and Markets Act 2000 (Regulated Activities) Order 2001 (SI 2001/544), as amended from time to time and any successor legislation thereto;

"REC"	the FCA's Recognition Requirements Sourcebook, as amended from time to time, and any successor regulations thereto;
"RDC Decision"	means a finding by the Ring Disciplinary Committee regarding Dealing Offences and Minor Offences made in accordance with either: (i) Regulation 11.6.3 or (ii) Regulations 11.6.4 to 11.6.7 of the Trading Regulations;
"RDC Warning"	means a written warning given to a Dealer or Member Representative by the Ring Disciplinary Committee in their absolute discretion for a Minor Offence or a Dealing Offence in accordance with Regulation 11.6.3 of the Trading Regulations and which is a RDC Decision;
"Recognition Requirements Regulations"	The Financial Services and Markets Act 2000 (Recognition Requirements for Investment Exchanges, Clearing Houses and Central Securities Depositories) Regulations 2001 (SI 2001/995), as amended from time to time, and any successor legislation thereto;
"Reference Price Publication Date"	the date on which the Exchange publishes the Cash-Settled Future Final Settlement Price in respect of a Cash-Settled Future and as published by Notice from time to time;
"Registered Intermediating Broker" or "RIB"	a Member that is: (a) authorised by the Exchange to arrange Agreed Trades in Contracts between Clients, and to input the details of such Agreed Trades into the Matching System on behalf of the Member(s) that will, upon Execution, become party to the resulting Contracts; and (b) granted Registered Intermediating Broker Membership by the Exchange;
"Regulator"	in relation to any person, any regulatory body that has responsibility for regulating the conduct of that person's business and/or which has the power to impose regulatory requirements upon a person's business (and including, where applicable, the FCA);
"Relevant Daily Settlement Price"	has the meaning set out in Regulation 9.7.4 of the Trading Regulations;

"Relevant Office Holder"	has the meaning attributed thereto by section 189 of the Companies Act 1989;
"Report"	has the meaning set out in Regulation 14.11 of the Membership Regulations;
"Respondent"	the person receiving a Notice to Arbitrate served by the Claimant;
"RIB Product"	a Contract that is a RIB Tier 1 Product or a RIB Tier 2 Product;
"RIB Scope of Authority"	has the meaning set out in Regulation 2.12.5(b)(ii) of the Trading Regulations;
"RIB Tier 1 Member"	a Registered Intermediating Broker that is authorised by the Exchange to arrange Agreed Trades in both RIB Tier 1 Products and RIB Tier 2 Products;
"RIB Tier 1 Product"	a Contract determined to be a RIB Tier 1 Product, and specified as such, by the Exchange from time to time by way of Notice;
"RIB Tier 2 Member"	a Registered Intermediating Broker that is authorised by the Exchange to arrange Agreed Trades in only RIB Tier 2 Products;
"RIB Tier 2 Product"	a Contract determined to be a RIB Tier 2 Product, and specified as such, by the Exchange from time to time by way of Notice;
"Ring"	an Exchange open-outcry trading session in a type of Contract, of such duration and at such times as are laid down by the Exchange, or the ring area of the Exchange as the context requires;
"Ring Appeal"	an appeal of an RDC Decision lodged in accordance with Regulation 11.6.8(a) of the Trading Regulations;
"Ring Committee"	a committee appointed by the Exchange to oversee trading in the Ring;
"Ring Disciplinary Committee"	a committee appointed by the Exchange Directors to enforce discipline on the premises of the Exchange;
"Ring Notice of Appeal"	a letter sent by any Dealer or Member Representative to the Head of Enforcement notifying the Head of Enforcement that they wish to lodge a Ring Appeal of an RDC Decision in

	accordance with Regulation 11.6.8(a) of the Trading Regulations;
"Ring Price Liquidity Event"	means such criteria, as set out by the Exchange by way of Notice from time to time, that if triggered would permit the Exchange to exercise its powers under Regulation 5.5 of the Trading Regulations;
"Rules"	means these rules and regulations as the same may be amended in accordance with the Articles;
"Sanctions"	any applicable law executing foreign policy, security, sanction, trade embargo, boycott, export control, foreign trade control, non-proliferation or anti-terrorism objectives or similar restrictions on any business with a sanctioned jurisdiction, certain types of business or activity, or specified persons that is imposed, administered or enforced from time to time by: (i) the European Union; (ii) the United Kingdom; (iii) the United States of America; (iv) the United Nations Security Council; or (v) any of their respective successors;
"Secretary"	any person appointed to perform the duties of Secretary of the Company, and for the purpose only of Part 8 of the Rules, any person to whom the functions and powers of the Secretary referred to therein may be delegated from time to time;
"Serious Offences"	has the meaning set out in Regulation 11.2.3 of the Trading Regulations;
"Service Agent"	has the meaning set out in Regulation 11.4 of Part 2;
"Settlement Business Day"	a Business Day on which commercial banks are open in New York City for the settlement of international transactions in US dollars;
"Settlement Price"	the Cash offered price or other settlement price determined: (a) by the Quotations Committee in accordance with Regulation 5.1 of the Trading Regulations in respect of Metal Futures and Premium Contracts, Regulation 5.6 of the Trading Regulations in respect of Index Contracts; or (b) in accordance with Regulation 5.7 of the Trading Regulations (in respect of Cash-

	Settled Futures and LMEprecious Futures); or
	(c) in accordance with Regulation 5.7 of the Trading Regulations (in respect of Metal Options, Traded Average Price Options, Index Options and, for the purposes of daily settlement and margining, LMEprecious Options); or
	(d) in accordance with the LMEprecious Option Regulations, for the purpose of determining the Exercise Reference Price for LMEprecious Options; or
	(e) by the Clearing House in accordance with Regulation 15 of the Trading Regulations;
"Silver"	Loco London Fine Silver held in London and complying with standards relating to good delivery and fineness acceptable to the Precious Metal Clearer of the Clearing House for the purpose of effecting settlement with the Clearing House, as such standards are in effect from time to time;
"Single Dealer to Client Platform"	means any system operated by a Member for the purpose of arranging bilateral contracts between: (i) such Member; and (ii) its customers by means of either a "Request For Quote" or continual price streaming from the Member to customers, but not including a system operating an order book where one customer may trade against another customer's price or order;
"Special Committee"	the Committee to whom the Exchange has delegated the emergency powers under Regulation 17 of Part 3 as permitted by the Articles;
"Special Contract Rules for Cash-Settled Futures"	(a) in relation to Ferrous Futures, the Special Contract Rules for Cash-Settled Futures – Ferrous; and
	(b) in relation to Non-Ferrous Futures, the Special Contract Rules for Cash-Settled Futures – Non-Ferrous;
"Special Contract Rules for Cash-Settled Futures - Ferrous"	the Regulations set out in Part 6C of the Rules;
"Special Contract Rules for Cash-Settled Futures - Non-Ferrous"	the Regulations set out in Part 6D of the Rules;

"Special Contract Rules for LMEmini Contracts"	the Regulations set out in Part 6B of the Rules;
"Special Contract Rules for Metals"	the Regulations set out in Part 6 of the Rules;
"Special Contract Rules for the Construction of the Index"	the Regulations set out in Part 6A of the Rules;
“Sponsored Access”	an arrangement where a Member permits a Client to use its trading code so the Client can electronically transmit orders relating to a financial instrument (as such term is defined in Article 4(1)(15) of MiFID II) directly to the Exchange, in circumstances where the Client does not use the infrastructure of the Member or of any other person other than itself and/or the Exchange, to transmit the orders;
"Standard Warrant"	a Warrant that is not a Premium Warrant;
"Strike Price"	(a) in relation to a Call Option which is a Metal Option, the price at which the Taker will buy from the Granter if the Option is automatically exercised; (b) in relation to a Put Option which is a Metal Option, the price at which the Taker will sell to the Granter if the Option is automatically exercised; (c) in relation to an Average Price Call Option, the price at which the Taker will buy from the Granter if the Traded Average Price Option is declared; (d) in relation to an Average Price Put Option, the price at which the Taker will sell to the Granter if the Traded Average Price Option is declared; (e) in relation to an Option Contract which is an Index Option, the agreed level of the Index which shall be compared with the Settlement Price of the Index on the Prompt Date to determine the amount payable to the Taker (if any); (f) in relation to a Call Option which is an LMEprecious Option, the price at which the Taker will buy from the Granter if the Option is automatically exercised;

(g) in relation to a Put Option which is a LMEprecious Option, the price at which the Taker will sell to the Granter if the Option is automatically exercised;

"Subsidiary Undertaking" — the same meaning as set out in section 1162 of the Companies Act 2006;

"Taker" — the buyer under a Traded Option;

"TAR" — trading at the reference price prescribed by the Exchange;

"TAS" — trading at the Closing Price prescribed by the Exchange;

"Trade Mark" — means any trade mark (i) belonging to or used by the Company from time to time; or (ii) that the Company may register or apply to register from time to time;

"Traded Average Price Option" — an Exchange-traded option contract pursuant to which the Granter grants to the Taker the right to buy from the Granter a Lot of a specified metal at a specified Strike Price in a specified month and to sell to the Granter a Lot of a specified metal at the Monthly Average Settlement Price in that same specified month, or vice versa, the declaration of which will take place automatically if the Monthly Average Settlement Price is, in the case of an Average Price Call Option, greater than the Strike Price or, in the case of an Average Price Put Option, less than the Strike Price for the relevant tradeable month;

"Traded Option" — an Option Contract or a Traded Average Price Option;

"Traded Options Committee" — the committee appointed by the Exchange for the purpose of administering trading in Traded Options;

"Traded Options Regulations" — the Regulations set out in Part 5 of the Rules in relation to Metal Options, Traded Average Price Options and Index Options;

"Trading-Only Member" — a Trading Member that is not a Clearing Member;

"Trading Member" — a Member permitted to trade in Contracts, being:

(a) in respect of the LME Base Service, a Category 1, 2, 3 or 4 Member; or

	(b) in respect of the LMEprecious Service, any LMEprecious Member;
"Trading Regulations"	the regulations set out in Part 3 of the Rules;
"Transitional Change"	means a regulatory, operational, commercial or other change to the business or other arrangements of the Exchange, and requiring steps to be taken by Members and/or other persons within a period specified by the Exchange in order for such Members or persons to comply with, or operate in accordance with, such changed arrangements, and which change and period has been communicated to the market by way of a Notice or Administrative Procedure;
"Transitional Notification Date"	means the date on which the Exchange communicates, by Notice, the Implementation Date and/or Implementation Time and shall include for these purposes any update to an Implementation Date or Implementation Time that has already been communicated by Notice;
"Transitional Provision"	means a Regulation adopted by the Exchange from time to time and set out in these Rules, or by way of a Notice or Administrative Procedure, for the purpose of giving effect to, or otherwise facilitating, a Transitional Change;
"Tribunal"	the tribunal of one, two or three arbitrators appointed in accordance with Regulation 3 of Part 8 of the Rules;
"Unallocated Precious Metal Account"	an account maintained with a Precious Metal Clearer for the settlement of unallocated Precious Metal through the Precious Metal Clearing System;
"Undertaking"	the same meaning as set out in section 1161 of the Companies Act 2006;
"Underlying Client Contract"	means (as the context requires): (a) the Client Contract that has resulted from the Execution of an Agreed Trade and that, upon such Execution, resulted in the formation of a Client-Related Cleared Contract pursuant to the Clearing House Rules; and/or (b) a contract between a Client and an Indirect Client, or between any other persons

participating in an Indirect Clearing Arrangement, that is formed under contractual terms between the parties and that results from the Execution of an Agreed Trade described in (a) above; and/or

(c) any Post-Compression Client Contract that may arise upon Compression under the Exchange Rules of any Underlying Client Contract,

and any reference to "the Underlying Client Contract" in the context of any reference to a Cleared Contract means the Underlying Client Contract that, upon Execution, resulted in the formation of such Cleared Contract, or any Post-Compression Client Contract relating to such Cleared Contract;

"Unsettled Contract" a Contract in respect of which the obligations of the parties have not been discharged whether by performance, set-off or otherwise;

"Variation Margin"

(a) in relation to a Cleared Contract, the sum of money determined by the Clearing House under the Clearing House Rules;

(b) in relation to a Client Contract, the sum of money determined by the relevant Category 1 or Category 2 Member or LMEprecious Clearing Member (or, where no such Member is a party, by the relevant Category 4 Member or LMEprecious Non-Clearing Member) representing the amount of variation margin called by the Clearing House in respect of the Client-Related Cleared Contract that corresponds to such Client Contract or such larger sum as may be agreed between the parties;

"VWAP" a volume weighted average price;

"Warrant" has the meaning set out in Regulation 13.1 of the LMEsword Regulations;

"Weighting" the factor determined by the Exchange from time to time which, when multiplied by the Settlement Price of a Constituent Metal, determines the contribution to the Index of that Constituent Metal;

"Working Day"	any weekday, Monday to Friday inclusive, which is not a public holiday in England and Wales.

1.2 In Part 8 and Part 10 of these Rules, the additional definitions set out therein shall apply for the purpose of construing the relevant words and expression in those Parts only, unless otherwise indicated.

1.3 Words importing the singular shall, where the context permits, include the plural and vice versa. Words importing gender shall include each gender. Words importing persons shall, where the context permits or requires, include partnerships and corporations.

1.4 Where reference is made to a Regulation in any Part of the Rules it shall be deemed to be a reference to a Regulation in that Part unless the context otherwise requires.

1.5 Where reference is made in these Rules to the "direction" of a Contract, such term shall be construed as follows:

(a) multiple Contracts have the "same direction" where, under each such Contract (i) the same party is the buyer; and (ii) the same party is the seller; and

(b) multiple Contracts have the "opposite direction" where the buyer under one Contract is the seller under the other Contract.

1.6 Any reference to a Warrant being ‘issued’ shall mean the creation of the Warrant within the Account of the relevant Account Holder pursuant to Regulation 3 of the LMEsword Regulations.

1.7 Any reference to a Warrant being ‘delivered’ shall mean a transfer within LMEsword pursuant to Regulation 6 of the LMEsword Regulations.

1.8 Any reference in the Rules or in any Administrative Procedure issued pursuant to the Rules to any European Union Regulation or Directive or any EU-level rules or legislation made pursuant to any such Regulation or Directive (or any provision thereof) shall be construed to include:

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

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

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

(d) in the case of a reference to any EU-level rules or legislation made pursuant to any such Regulation or Directive (or any provision thereof), any rule or regulation made in the United Kingdom that further specifies such Regulation or Directive or rules or legislation made thereunder,

as the context requires, having regard to which provision applies to the relevant person or context. For the avoidance of doubt, this rule of interpretation shall apply to the definitions of, and any references to, the Capital Requirements Regulation, EMIR, MiFID II and BMR.

1.9 For the avoidance of doubt, the Exchange may delegate any powers and responsibilities under the Rules to any committee; any such committee may then delegate any such powers and responsibilities from the Exchange to employees and/or representatives of the Company as appropriate in the circumstances.

1.10 The Exchange may, from time to time, adopt Transitional Provisions to facilitate a Transitional Change. Any Regulation that is identified in these Rules as a Transitional Provision shall cease to have effect once the Transitional Change to which the Transitional Provision relates has been implemented. Any Transitional Change shall be communicated by the Exchange to the market by way of a Notice or Administrative Procedure, specifying:

(a) the nature of the change;

(b) any steps required to be undertaken by Members and/or other persons in preparation for the implementation of the change;

(c) the Implementation Date and/or Implementation Time;

(d) any other period within which specific steps should be completed; and

(e) any other matter that the Exchange considers relevant, which may include the relevant Transitional Provision(s).

2. GENERAL

2.1 The Rules are made and subject as provided by law may be altered by the Exchange by way of Notice.

2.2 Administrative Procedures may be issued by the Exchange in relation to commercial, operational, regulatory and compliance matters, and shall have the same force as Rules.

2.3 Where any Administrative Procedure refers to any Rule then:

(a) where such Rule has been amended subsequent to the issuance of such Administrative Procedure, the Administrative Procedure shall, to the extent possible, be construed in a manner consistent with the amended Rule (so that, by way of example, where a specific Rule referred to in an Administrative Procedure is later numbered differently, or contained in a different section or Part of the Rulebook, or has been updated, the Administrative Procedure shall be deemed to refer to the current Rule); and

(b) where the effect of the amendment of such Rule is to render any aspect of an Administrative Procedure to be redundant or manifestly inconsistent with the Rule, such aspects of the Administrative Procedure shall be deemed to have been repealed to the extent of such redundancy or manifest inconsistency, subject that (a) or (b) shall not apply where and to the extent that the Exchange amends, replaces or repeals any Administrative Procedure in order to address any inconsistency between the Rules and the Administrative Procedure.

2.4 Administrative Procedures shall be sent to such class or classes of Member to whom they apply.

2.5 The Rules and Administrative Procedures shall be binding on all Members. Failure to comply with any of them or with any decision of the Exchange or direction of the Exchange made

pursuant to them shall constitute a breach of the Rules for the purposes of disciplinary procedures.

2.6 The Directors or Exchange may grant to a Member;

(a) a waiver of; and/or

(b) a modification to

particular requirements of these Rules in such circumstances and subject to such conditions as the Exchange may determine, provided that the Exchange is satisfied that:

(a) compliance with the relevant requirements would be unduly burdensome to the Member;

(b) the waiver or modification would not create unacceptable risks for the Exchange, or the market generally;

(c) the waiver or modification is consistent with the regulatory obligations of the Exchange, including the obligation to maintain orderly markets; and

(d) the waiver or modification would not result in unreasonable or inequitable discrimination between Members.

(e) Waivers and modifications granted or made under this Regulation 2.6 by the Exchange shall be subsequently notified to EXCOM. EXCOM shall report to the next meeting of Directors on the exercise of any powers under this Regulation 2.6, as appropriate.

2.7 Unless otherwise stated, all times in the Rules refer to London time.

PART 2

MEMBERSHIP, ENFORCEMENT AND DISCIPLINE

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21 September 2026

PART 2: MEMBERSHIP, ENFORCEMENT AND DISCIPLINE

1. ADMISSION TO MEMBERSHIP

1.1 The Exchange may grant admission to Membership in accordance with these Rules.

1.2 The requirements set out in Regulation 2 of these Membership Regulations shall apply to Candidates applying to participate in the LME Base Service, other than as Registered Intermediating Brokers.

1.3 The requirements set out in Regulation 3 of these Membership Regulations shall apply to Candidates applying to participate in the LMEprecious Service, other than as Registered Intermediating Brokers.

1.4 The requirements set out in Regulation 3A of these Membership Regulations shall apply to Candidates applying to participate in the LME Base Services and/or the LMEprecious Service in the capacity of Registered Intermediating Brokers.

1.5 The requirements set out in Regulation 4 onwards within these Membership Regulations shall apply in respect of all Candidates or Members, regardless of the service in which they are applying to participate, or already participate, save to the extent that any Regulation specifies that it is limited to any particular category of Membership or any particular service.

2. MEMBERSHIP OF THE LME BASE SERVICE

2.1 Eligibility for Membership

2.1.1 The Membership categories described in this Regulation 2 apply to the LME Base Service.

2.1.2 To be eligible for Membership of the LME Base Service, a Candidate must satisfy the eligibility criteria set out below for the class or category of Membership for which they are applying.

2.2 Category 1 Membership:

A Candidate for Category 1 Membership must satisfy the Exchange:-

(a) that it is:

(1) an Undertaking which is a body corporate incorporated in the United Kingdom or if not itself a body corporate its principal or managing member is a body corporate incorporated in the United Kingdom; or

(2) an Overseas Undertaking;

(b) that it satisfies the requirements for Category 1 Members set out in Regulation 7 of these Membership Regulations;

(c) that it is capitalised at or above the level for the time being prescribed by the Exchange;

(d) that it enjoys a financial and business standing which, in the opinion of the Exchange, is suitable for Ring Membership; in considering financial and business standing the Exchange will have separate regard to the Undertaking concerned and the fitness and properness of its employees or representatives;

(e) that the persons to be responsible for trading on its behalf in the Ring have sufficient and relevant experience and qualifications to become Authorised Dealers; in considering experience the Exchange may take into account indications given by a Candidate as to the level and type of trading it intends to conduct in the Ring;

(f) that it is or will on admission become the legal owner of the number of B Shares prescribed by the Exchange for Category 1 Membership;

(g) that it is a member of the Clearing House or will, subject to election as a Category 1 Member, become a member of the Clearing House authorised to clear Cleared Contracts;

(h) that it is able to comply with the requirements of the Trading Regulations regarding the delivery of Warrants;

(i) that it becomes an Account Holder in accordance with Regulation 2 of the LMEsword Regulations; and

(j) that it satisfies any and all other criteria for Category 1 Membership, and, if applicable, any and all other special criteria for Overseas Undertakings, which the Exchange may from time to time prescribe.

2.3 **Category 2 Membership:**

2.3.1 A Candidate for Category 2 Membership must satisfy the Exchange:-

(a) that it is:

(1) an Undertaking which is a body corporate incorporated in the United Kingdom or if not itself a body corporate its principal or managing member is a body corporate incorporated in the United Kingdom; or

(2) an Overseas Undertaking;

(b) that it satisfies the requirements for Category 2 Members set out in Regulation 7 of these Membership Regulations;

(c) that it is capitalised at or above the level for the time being prescribed by the Exchange;

(d) that it enjoys a financial and business standing which, in the opinion of the Exchange, is suitable for Category 2 Membership; in considering financial and business standing the Exchange will have separate regard to the Undertaking concerned and the fitness and properness of its employees or representatives;

(e) that it is or will on admission become the legal owner of the number of B Shares prescribed by the Exchange for Category 2 Membership;

(f) that it is a member of the Clearing House or will, subject to election as a Category 2 Member, become a member of the Clearing House authorised to clear Cleared Contracts;

(g) that it is able to comply with the requirements of the Trading Regulations regarding the delivery of Warrants;

(h) that it becomes an Account Holder in accordance with Regulation 2 of the LMEsword Regulations; and

(i) that it satisfies any and all other criteria for Category 2 Membership, and, if applicable, any and all other special criteria for Overseas Undertakings, which the Exchange may from time to time prescribe.

2.4 **Category 3 Membership:**

2.4.1 A Candidate for Category 3 Membership must satisfy the Exchange:-

(a) that it is:

(1) an Undertaking which is a body corporate incorporated in the United Kingdom or if not itself a body corporate its principal or managing member is a body corporate incorporated in the United Kingdom; or

(2) an Overseas Undertaking;

(b) that it satisfies the requirements for Category 3 Members set out in Regulation 7 of these Membership Regulations;

(c) that it is capitalised at or above the level for the time being prescribed by the Exchange;

(d) that it enjoys a financial and business standing which, in the opinion of the Exchange, is suitable for Category 3 Membership; in considering financial and business standing the Exchange will have separate regard to the Undertaking concerned and the fitness and properness of its employees or representatives;

(e) that it is or will on admission become the legal owner of the number of B Shares prescribed by the Exchange for Category 3 Membership;

(f) that it is a member of the Clearing House or will, subject to election as a Category 3 Member, become a member of the Clearing House authorised to clear Cleared Contracts;

(g) that it is able to comply with the requirements of the Trading Regulations regarding the delivery of Warrants;

(h) that it becomes an Account Holder in accordance with Regulation 2 of the LMEsword Regulations; and

(i) that it satisfies any and all other criteria for Category 3 Membership, and, if applicable, any and all other special criteria for Overseas Undertakings, which the Exchange may from time to time prescribe.

2.5 **Category 4 Membership:**

2.5.1 A Candidate for Category 4 Membership must satisfy the Exchange:-

(a) that it is:

(1) an Undertaking which is a body corporate incorporated in the United Kingdom or if not itself a body corporate its principal or managing member is a body corporate incorporated in the United Kingdom; or

(2) an Overseas Undertaking;

(b) that it satisfies the requirements for Category 4 Members set out in Regulation 7 of these Membership Regulations;

(c) that it enjoys a financial business standing which, in the opinion of the Exchange, is suitable for Category 4 Membership; in considering financial and business standing the Exchange will have separate regard to the Undertaking concerned and the fitness and properness of its employees or representatives;

(d) that it is or will on admission become the legal owner of the number of B Shares prescribed by the Exchange for Category 4 Membership; and

(e) that it satisfies any and all other criteria for Category 4 Membership and, if applicable, any and all other special criteria for Overseas Undertakings, which the Exchange may from time to time prescribe.

2.5.2 A Category 4 Member may, if it is eligible in accordance with Regulation 2 of the LMEsword Regulations, apply to become an Account Holder in accordance with Regulation 2 of the LMEsword Regulations. Any such Category 4 Member that applies to become an Account Holder must also satisfy the Exchange that it is able to comply with the requirements of the Trading Regulations regarding the delivery of Warrants.

2.6 **Category 5 Membership:**

2.6.1 A Candidate for Category 5 Membership must satisfy the Exchange:-

(a) that it is:

(1) an Undertaking which is a body corporate incorporated in the United Kingdom or if not itself a body corporate its principal or managing member is a body corporate incorporated in the United Kingdom; or

(2) an Overseas Undertaking;

(b) that it enjoys a financial business standing which, in the opinion of the Exchange, is suitable for Category 5 Membership; in considering financial and business standing the Exchange will have separate regard to the Undertaking concerned and the fitness and properness of its employees or representatives; and

(c) that it satisfies any and all other criteria for Category 5 Membership and, if applicable, any and all other special criteria for Overseas Undertakings, which the Exchange may from time to time prescribe.

2.6.2 A Category 5 Member need not hold shares in LME Holdings.

2.7 **Honorary Membership:**

Honorary Membership (previously known as Category 7 Membership) may be conferred on individuals at the discretion of the Exchange.

3. MEMBERSHIP OF THE LMEPRECIOUS SERVICE

3.1 Eligibility for Membership

3.1.1 The Membership categories described in this Regulation 3 apply to the LMEprecious Service.

3.1.2 To be eligible for Membership of the LMEprecious Service, and to become an LMEprecious Member, a Candidate must satisfy the eligibility criteria set out below for the class or category of Membership for which they are applying.

3.1.3 For the avoidance of doubt, the requirements for certain LMEprecious Members to hold B Shares is not cumulative with the requirements for certain LME Base Members to hold B Shares (and *vice versa*). For example: if the Exchange has prescribed that a Category 1 Member is required to hold 25,000 B Shares and that an LMEprecious General Clearing Member is required to hold 10,000 B Shares, a Candidate seeking to become both a Category 1 Member and an LMEprecious General Clearing Member would be required to hold 25,000 B Shares in total (not 35,000 B Shares).

3.2 LMEprecious General Clearing Member:

A Candidate for LMEprecious General Clearing Membership must satisfy the Exchange:

(a) that it is a member of the Clearing House, or will, subject to election as an LMEprecious General Clearing Member, become a member of the Clearing House with permission to clear LMEprecious Contracts; and

(b) that it has established one or more Unallocated Precious Metal Accounts of the appropriate type, at a Precious Metal Clearer, to enable the LMEprecious General Clearing Member to make and receive deliveries of unallocated Precious Metal, through the Precious Metal Clearing System, in settlement of LMEprecious Contracts; and

(c) that it is a Member of the LME for the LME Base Service having a Category 1 or 2 Membership; or

(d) if (c) does not apply:

(i) that it is:

(A) an Undertaking which is a body corporate incorporated in the United Kingdom or if not itself a body corporate its principal or managing member is a body corporate incorporated in the United Kingdom; or

(B) an Overseas Undertaking;

(ii) that it satisfies the requirements for LMEprecious General Clearing Members set out in Regulation 7 of these Membership Regulations;

(iii) that it is capitalised at or above the level for the time being prescribed by the Exchange; and

(iv) that it enjoys a financial and business standing which, in the opinion of the Exchange, is suitable for LMEprecious General Clearing Membership; in considering financial and business standing the Exchange will have separate

regard to the Undertaking concerned and the fitness and properness of its employees or representatives;

(e) that it is or will on admission become the legal owner of the number of B Shares prescribed by the Exchange for LMEprecious General Clearing Membership; and

(f) that it has met any additional criteria for use of the LMEprecious Service and, if applicable, any and all other special criteria for Overseas Undertakings, which the Exchange may from time to time prescribe.

3.3 **LMEprecious Individual Clearing Member:**

A Candidate for LMEprecious Individual Clearing Membership must satisfy the Exchange:

(a) that it is a member of the Clearing House, or will, subject to election as an LMEprecious Individual Clearing Member, become a member of the Clearing House with permission to clear LMEprecious Contracts; and

(b) that it has established one or more Unallocated Precious Metal Accounts of the appropriate type, at a Precious Metal Clearer, to enable the LMEprecious Individual Clearing Member to make and receive deliveries of unallocated Precious Metal, through the Precious Metal Clearing System, in settlement of LMEprecious Contracts; and

(c) that it is a Member of the LME for the LME Base Service having a Category 1, 2 or 3 Membership; or

(d) if (c) does not apply:

(i) that it is:

(A) an Undertaking which is a body corporate incorporated in the United Kingdom or if not itself a body corporate its principal or managing member is a body corporate incorporated in the United Kingdom; or

(B) an Overseas Undertaking;

(ii) that it satisfies the requirements for LMEprecious Individual Clearing Members set out in Regulation 7 of these Membership Regulations;

(iii) that it is capitalised at or above the level for the time being prescribed by the Exchange; and

(iv) that it enjoys a financial and business standing which, in the opinion of the Exchange, is suitable for LMEprecious Individual Clearing Membership; in considering financial and business standing the Exchange will have separate regard to the Undertaking concerned and the fitness and properness of its employees or representatives;

(e) that it is or will on admission become the legal owner of the number of B Shares prescribed by the Exchange for LMEprecious Individual Clearing Membership; and

(f) that it has met any additional criteria for use of the LMEprecious Service and, if applicable, any and all other special criteria for Overseas Undertakings, which the Exchange may from time to time prescribe.

3.4 **LMEprecious Non-Clearing Member:**

3.4.1 A Candidate for LMEprecious Non-Clearing Membership must satisfy the Exchange:

(a) that it has appointed one or more LMEprecious General Clearing Members to clear Agreed Trades in LMEprecious Contracts effected by such LMEprecious Non-Clearing Member;

(b) that it is a Member of the LME for the LME Base Service having a Category 1, 2 or 4 Membership; or

(c) if (b) does not apply:

(i) that it is:

(1) an Undertaking which is a body corporate incorporated in the United Kingdom or if not itself a body corporate its principal or managing member is a body corporate incorporated in the United Kingdom; or

(2) an Overseas Undertaking;

(ii) that it satisfies the requirements for LMEprecious Non-Clearing Members set out in Regulation 7 of these Membership Regulations; and

(iii) that it enjoys a financial and business standing which, in the opinion of the Exchange, is suitable for LMEprecious Non-Clearing Membership; in considering financial and business standing the Exchange will have separate regard to the Undertaking concerned and the fitness and properness of its employees or representatives;

(d) that it has met any additional criteria for use of the LMEprecious Service and, if applicable, any and all other special criteria for Overseas Undertakings, which the Exchange may from time to time prescribe.

3.4.2 An LMEprecious Non-Clearing Member must have at all times one or more LMEprecious General Clearing Members appointed to clear Agreed Trades in LMEprecious Contracts effected by such LMEprecious Non-Clearing Member.

3.4.3 For the avoidance of doubt, an LMEprecious Non-Clearing Member shall not be required to use to clear LMEprecious Contracts the same Clearing Member that it uses to clear Contracts subject to the LME Base Service.

3.4.4 An LMEprecious Non-Clearing Member must at all times maintain appropriate arrangements to enable the settlement of any LMEprecious Contract to which it is party. For the avoidance of doubt, such arrangements may include the maintenance of settlement and custody accounts for Precious Metals with: (a) an LMEprecious General Clearing Member; or (b) a Precious Metal Clearer; or (c) a custodian having an account for the settlement of unallocated Precious Metals.

3A. **REGISTERED INTERMEDIATING BROKER MEMBERSHIP**

3A.1 **Eligibility for Membership**

3A.1.1 The Membership categories described in this Regulation 3A apply to Registered Intermediating Brokers.

3A.1.2 To be eligible for Membership as a Registered Intermediating Broker, and to become an RIB Member, a Candidate must satisfy the eligibility criteria set out below for the class or category of RIB Membership for which they are applying.

3A.1.3 For the avoidance of doubt, the requirements for certain RIB Members to hold B Shares is not cumulative with the requirements for certain LME Base Members and/or LMEprecious Members to hold B Shares (and vice versa).

3A.2 **Common Criteria for RIB Membership**:

3A.2.1 A Candidate for RIB Membership must satisfy the Exchange:-

(a) that it is:

(1) an Undertaking which is a body corporate incorporated in the United Kingdom or if not itself a body corporate its principal or managing member is a body corporate incorporated in the United Kingdom; or

(2) an Overseas Undertaking;

(b) that it satisfies the requirements for RIB Members set out in Regulation 7 of these Membership Regulations; and

(c) that it satisfies any and all other criteria for RIB Membership and, if applicable, any and all other special criteria for Overseas Undertakings, which the Exchange may from time to time prescribe.

3A.3 **RIB Tier 1 Membership**:

3A.3.1 A Candidate for RIB Tier 1 Membership must satisfy the Exchange:-

(a) that it enjoys a financial business standing which, in the opinion of the Exchange, is suitable for RIB Tier 1 Membership; in considering financial and business standing the Exchange will have separate regard to the Undertaking concerned and the fitness and properness of its employees or representatives;

(b) that it is or will on admission become the legal owner of the number of B Shares prescribed by the Exchange for RIB Tier 1 Membership; and

(c) that it satisfies any and all other criteria for RIB Tier 1 Membership which the Exchange may from time to time prescribe.

3A.4 **RIB Tier 2 Membership**:

3A.4.1 A Candidate for RIB Tier 2 Membership must satisfy the Exchange:-

(a) that it enjoys a financial business standing which, in the opinion of the Exchange, is suitable for RIB Tier 2 Membership; in considering financial and business standing the Exchange will have separate regard to the Undertaking concerned and the fitness and properness of its employees or representatives;

(b) that it is or will on admission become the legal owner of the number of B Shares prescribed by the Exchange for RIB Tier 2 Membership; and

(c) that it satisfies any and all other criteria for RIB Tier 2 Membership which the Exchange may from time to time prescribe.

3A.5 **Authorisation of RIB Members in respect of specific Contract Types**:

3A.5.1 A Registered Intermediating Broker may be authorised by the Exchange to arrange Agreed Trades in both LME Base Contracts and LMEprecious Contracts, and to thereby participate in both the LME Base Service and the LMEprecious Service, in its capacity as a RIB.

3A.5.2 Notwithstanding Regulation 3A.5.1 above:

(a) a Registered Intermediating Broker shall not be permitted to act as a Trading Member in respect of any Agreed Trade for which it is also acting as a RIB;

(b) a Registered Intermediating Broker shall be permitted to arrange Agreed Trades in Contracts comprising:

(i) RIB Tier 1 Products and RIB Tier 2 Products, where such Member has RIB Tier 1 Membership; or

(ii) RIB Tier 2 Products only, where such Member has RIB Tier 2 Membership;

(c) a Registered Intermediating Broker shall only be required to satisfy the eligibility criteria for the class or category of RIB Membership for which they are applying (including the number of B Shares prescribed by the Exchange for the relevant class of RIB Membership), regardless of whether they are applying to arrange Agreed Trades in LME Base Contracts and/or LMEprecious Contracts;

(d) a Registered Intermediating Broker shall not be required to satisfy the eligibility criteria for LME Base Membership (as set out in Regulation 2 above) or LMEprecious Membership (as set out in Regulation 3 above); and

(e) A Member shall be permitted to hold Registered Intermediating Broker Membership in addition to being a Trading Member, provided that such Member:

(i) shall satisfy the eligibility criteria applicable to all relevant categories of Membership;

(ii) shall comply with the Rules separately as they apply to each such category of Membership;

(iii) shall ensure that it is at all times clear to its Client whether it is acting in its capacity as Trading Member or as Registered Intermediating Broker;

(iv) shall not, in respect of any Agreed Trade, act as both (1) Registered Intermediating Broker and (2) Trading Member and/or Clearing Member; and

(v) shall have established appropriate systems and controls to ensure segregation (to the extent required by applicable law and regulation) of its

activities as a Registered Intermediating Broker from its other LME activities.

3A.5.3 The Exchange may, by the issue of a Notice, recategorise a RIB Tier 1 Product as a RIB Tier 2 Product (or vice versa). In doing so, the Exchange shall consider such factors as, in its discretion, are relevant to a decision to recategorise a RIB Tier 1 Product or a RIB Tier 2 Product. The factors that the Exchange shall have regard to may include, without limitation: (i) average trading volumes; (ii) levels of open interest; (iii) the availability of Incentive Programmes to support liquidity; and (iv) factors specific to the relevant Contract.

3A.5.4 In the event that the Exchange recategorises a RIB Tier 2 Product as a RIB Tier 1 Product, a RIB Tier 2 Member shall cease to be permitted to arrange Agreed Trades in such RIB Tier 1 Products. In order to be able to continue arranging Agreed Trades in such recategorised Contracts, a RIB Tier 2 Members must first obtain RIB Tier 1 Membership, in accordance with the requirements set out in Regulation 3A.3.

3A.5.5 For the avoidance of doubt, any recategorisation of a RIB Tier 1 Product as a RIB Tier 2 Product (or vice versa) shall not affect the permission of a RIB Tier 1 Member to arrange Agreed Trades in such Contract, in accordance with Regulation 3A.5.2(b) above.

3A.5.6 For the avoidance of doubt, the Exchange shall not be required to determine that any Contract should be a RIB Product. Furthermore, the Exchange may, by the issue of a Notice, determine that a Contract shall cease to be a RIB Product. Where a Contract has not been categorised as a RIB Product, or has ceased to be categorised as a RIB Product, a Registered Intermediating Broker shall not be permitted to arrange, or to continue to arrange (as applicable), Agreed Trades in such Contract.

4. COMMON ELIGIBILITY CRITERIA

4.1 Share Capital

4.1.1 The amount prescribed by the Exchange, from time to time, as the minimum Net Worth Requirement for each category of Membership shall be met by permanent capital plus additional capital less disallowables.

4.1.2 Permanent capital shall be issued and fully paid ordinary shares, issued and fully paid preference shares, share premium and other reserves not available for distribution. A deficit in reserves available for distribution will be deducted when calculating permanent capital.

4.1.3 Additional capital shall be other equity reserves (distributable or otherwise) profit and loss reserves and subordinated loans.

4.1.4 Disallowable items are intangible fixed assets such as goodwill, development costs etc., investments in subsidiaries and/or other group companies, shares in the Clearing House and the value of exchange Memberships.

4.2 Overseas Undertakings

(a) A Candidate that is an Overseas Undertaking may not be admitted to Membership in the event that the Exchange does not have any necessary licences, authorisations or regulatory permissions to enable the Exchange to lawfully provide investment exchange services to a person having the same characteristics as the Candidate from that Candidate's (or, where applicable, its principal or managing member's) place of incorporation or any other relevant jurisdiction.

(b) A Candidate that is an Overseas Undertaking may not be admitted to Membership in the event that the jurisdiction of the Candidate's place of incorporation or other relevant jurisdiction is not satisfactory to the Exchange, on the grounds of legal or regulatory risk relating to that jurisdiction.

4.3 **Systems, Controls and Procedures**

A Candidate must have appropriate systems, controls and procedures relating to any applicable legal or regulatory requirement relating to any business activities it may undertake in connection with the use of the facilities of the Exchange, including (but not limited to) anti-money laundering and financial crime systems, controls and procedures, the adequacy of which must be satisfactory to address the risk that the facilities of the Exchange may be used for any improper purpose and to address any applicable legal or regulatory requirements. The Exchange reserves the right, where necessary in response to a legitimate compliance concern, to request from any Candidate or Member from time to time (a) details of such systems, controls and procedures and/or (b) a reasoned legal opinion from a reputable law firm, or a reasoned report from a reputable compliance consultancy, that such systems, controls and procedures are appropriate to address any applicable legal or regulatory requirements, in such format and addressing such concerns as the Exchange may specify.

4.4 **Discretion to Refuse Application on Grounds of Compliance or Risk**

The Exchange shall be permitted to refuse any application for Membership by a Candidate that satisfies the criteria set out above where the Exchange has reasonable grounds for considering that:

(a) the Candidate is unlikely to be capable of complying with its obligations as a Member under these Rules or any Administrative Procedures; or

(b) the Candidate is subject to any legal or regulatory requirement or restriction that may prevent the Candidate from complying fully with any obligation it may have as a Member under these Rules or any Administrative Procedure; or

(c) the admission of the Candidate as a Member would be likely to expose other Members and/or the Exchange and/or the Clearing House to a materially increased level of risk than is generally presented by other Members having the same category of Membership for which the Candidate is applying; or

(d) the Candidate is subject to any form of Sanctions or the directors, officers, employees or agents of it or any of its Affiliates are subject to any form of Sanctions; or

(e) the admission of a Candidate as a Member would expose the Exchange or the Clearing House or any other Member to any risk of infringement of any applicable law, including relevant Sanctions.

5. **APPLICATIONS FOR MEMBERSHIP**

5.1 An application for Membership of the Exchange shall be made in the form prescribed from time to time by the Exchange, obtainable from the teams(s) at the Exchange with responsibility for managing the process of admission to Membership. Each application must be accompanied by such admission Fee as may be prescribed by the Exchange. Where required under Regulation 7.5, such application shall include a legal opinion that satisfies the requirements of that Regulation.

5.2 The Exchange may require from the Candidate such information, and may institute such investigations to verify information submitted by the Candidate, as they deem necessary. The Exchange may require the Candidate, or one or more representatives of the Candidate, to attend for interview by the Exchange or by a committee of the Exchange.

5.3 Following the determination by the Exchange that the Candidate has satisfied all applicable Membership requirements, the Exchange shall promptly publish a Notice informing the market that the Candidate has been approved for Membership of the Exchange.

5.4 The Exchange shall issue a further Notice to inform the market of the "**Go Live Date**" of the Candidate referred to in Regulation 5.3, such date being the date on which the Candidate shall be operationally ready to commence activities on the Exchange. The Exchange shall issue such Notice within such period prior to the Go Live Date as the Exchange considers to be reasonable in the circumstances.

5.5 With effect from the date on which the Exchange publishes the Notice pursuant to Regulation 5.3, the Candidate shall become obligated, as a Member, to pay the subscription applicable to its class or category of Membership.

5.6 The Exchange shall make available a list of all Members on the Exchange's public website at www.lme.com.

5.7 If the Exchange decides not to admit a Candidate to Membership it shall notify the Candidate with a statement of reasons for the refusal and the Candidate may within 14 days of being notified of the Exchange's decision lodge notice of appeal with the Secretary.

5.8 Appeal under this Regulation shall be to a single arbitrator ("**the Arbitrator**") to be appointed by the President for the time being of The Law Society. Regulations 1, 4-10, 14 and 16 of Part 8 of the Rules (amended as set out in Regulation 5.9) shall apply to an appeal under this Rule. The Arbitrator shall consider the written statement of reasons given to the Candidate by the Exchange and any representations made by or on behalf of the Candidate and by or on behalf of the Company. The Arbitrator shall determine whether or not the Exchange correctly interpreted the Membership criteria from time to time applicable in respect of the class of Membership for which the Candidate applied and whether the rules of natural justice were complied with in reaching the decision refusing admission ("**the Decision**"). The Decision shall not otherwise be open for review and the Arbitrator shall have no power to order that the Exchange shall admit the Candidate. The decision of the Arbitrator on questions of fact shall be final and binding on the Company and the Candidate. If the Arbitrator determines that the Exchange did not correctly interpret the relevant Membership criteria, or that the rules of natural justice were not complied with in reaching the Decision, the Exchange shall reconsider the application. In doing so the Exchange shall consider the application afresh and (in particular but without limitation) shall not be obliged to decide the application on the basis only of information available to it prior to the Decision.

5.9 For the purpose only of an appeal under Regulation 5.8, and without prejudice to any powers the Arbitrator may have under English law, the following amendments shall apply to the Arbitration Regulations.

5.9.1 In Regulation 1.1 of Part 8 of the Rules:

(a) defined terms shall be ignored unless used in the Regulations referred to in Regulation 2.8;

(b) "Claimant" shall mean the Candidate;

(c) "Respondent" shall mean the Company;

(d) "Tribunal" shall mean the arbitrator appointed pursuant to Regulation 2.8.

5.9.2 Regulation 6.3 of Part 8 of the Rules shall not apply.

5.9.3 Regulations 10.1(e), (i), (j), (l), (n), and (p)-(s) of Part 8 of the Rules shall not apply.

5.9.4 In Regulation 14.1 of Part 8 of the Rules the words "or by the Company" and "or the Company" shall be ignored.

5.9.5 Regulation 14.3 of Part 8 of the Rules shall not apply.

6. CHANGE IN CLASS OR CATEGORY OF MEMBERSHIP

6.1 Any Member may change their Membership from any class or category of Membership to any other class or category, or add a new category of Membership in respect of a new service, provided that:-

(a) the prior consent of the Exchange is obtained; and

(b) such Member pays any increase in subscription applicable to their new class or category of Membership. A Member shall pay the full amount of subscription applicable to their new class or category of Membership, credit being given for the amount of subscription already paid by the Member in the year of application.

6.2 In deciding whether or not to admit a Member to a different class or category of Membership, the Exchange shall determine whether the Member satisfies the criteria for the new class or category of Membership in accordance with Regulations 1 to 4 above (as applicable).

6.3 Any Member having any category of Membership in respect of the LME Base Service may apply to have any category of Membership in respect of the LMEprecious Service (and vice versa), subject in each case to the application of Regulations 6.1 and 6.2 above.

6.4 Regulations 1 to 4 and Regulations 5.2, 5.4 and 5.5 shall apply *mutatis mutandis* to an application under this Regulation 6 including so that any reference to a "Candidate" shall be construed as a reference to the relevant applicant Member. Any change of the type described in Regulation 6.1 shall be effective from the date stipulated in the Notice to Members in accordance with Regulation 5.4.

6.5 Regulation 10.9 of these Membership Regulations shall apply mutatis mutandis to a change from any class or category of Membership, with the effect that Regulations 10.5, 10.6 and 10.7 of the Membership Regulations shall be construed to apply in respect of the class or category of Membership from which the Member has changed.

7. REQUIREMENTS OF THE FINANCIAL SERVICES AND MARKETS ACT 2000

7.1 No person may apply or continue to be a Trading Member or a Registered Intermediating Broker unless they are:

(a) an authorised person or exempt person within the meaning of Part III of FSMA; or

(b) subject to Regulation 7.1A, an authorised investment firm within the meaning of Article 4 of the MiFID II Directive by the competent authority of an EEA State other than the United Kingdom (including a branch established in the United Kingdom of such a firm); or

(c) subject to Regulation 7.1A, an authorised credit institution within the meaning of Article 4.1(1) of the Capital Requirements Regulation by the competent authority of an EEA State other than the United Kingdom (including a branch established in the United Kingdom of such an institution); or

(d) a person whose activities in relation to the Exchange as a Member would not constitute regulated activities (as defined in FSMA) on the basis of an appropriate exclusion under the RAO or under regulation 11(1) of The Financial Services and Markets Act 2000 (Markets in Financial Instruments) Regulations 2017 (SI 2017/701) (or any successor regulation to it).

In this Regulation 7.1, "competent authority" and "EEA State" have the meanings given to them in the FCA Handbook.

7.1A From EU Withdrawal Date, any person established in the EEA may only qualify for Membership pursuant to Regulation 7.1(b) or (c) where, and to the extent that, (i) such person is not prohibited under any applicable laws or regulations, from performing any activities on, or in connection with, the Exchange, and (ii) the Exchange is not prohibited from providing access to its facilities to such person under any applicable law; and (iii) where such person is, or is applying to be, a Clearing Member, the Clearing House is not prohibited from providing access to its facilities to such person under any applicable law.

7.2 No Member may undertake any regulated activity (as defined in the FSMA) in relation to the Exchange unless the Member is:

(a) authorised by the FCA to carry on such a regulated activity; or

(b) a person whose activities in relation to the Exchange as a Member would not constitute regulated activities (as defined in the FSMA) on the basis of an appropriate exclusion under the RAO or under regulation 11(1) of The Financial Services and Markets Act 2000 (Markets in Financial Instruments) Regulations 2017 (or any successor regulation to it); or

(c) permitted, pursuant to its status as an exempt person within the meaning of Part III of FSMA, to carry on such regulated activities.

7.3 No person may enter into a Client Contract unless such person or the other party to the Contract is:

(a) where such Contract is an LME Base Contract, a Category 1 Member, Category 2 Member or Category 4 Member; or

(b) where such Contract is an LMEprecious Contract, an LMEprecious General Clearing Member or LMEprecious Non-Clearing Member,

in each case that can validly enter into Client Contracts in accordance with the law of the United Kingdom and any other applicable law or regulation.

7.4 A Member must inform the Exchange immediately of:

(a) any variation or cancellation of permission to carry on a regulated activity, including the withdrawal of the Member's status as an authorised person by the FCA; or

(b) any change of circumstances that may result in the Member no longer being able to rely upon an appropriate exclusion under the RAO; or

(c) any change of circumstances of the Member or any other person (such as the Member's principal under any appointed representative arrangement) that may result in the Member no longer being treated as an exempt person for the purposes of Part III of FSMA, or otherwise no longer being able to rely upon its status as an exempt person to perform any regulated activities in relation to the Exchange.

7.5 A person falling within Regulation 7.1(d) or Regulation 7.2(b) (or, from EU Withdrawal Date, Regulation 7.1A) must:

(a) promptly following a request by the Exchange, provide such information as the Exchange may reasonably request regarding the person's business, regulatory status and the basis on which the person is able to lawfully perform activities in relation to the Exchange in the United Kingdom and any other relevant jurisdictions; and

(b) where requested by the Exchange, include in that person's application for Membership a reasoned legal opinion from a reputable law firm with demonstrable expertise in United Kingdom financial services regulation that the activities to be performed by that person, taking into account that person's proposed category of Membership, could lawfully be performed by that person under the law of their home jurisdiction and under the law of the United Kingdom, notwithstanding that such person is not an authorised person within the meaning of Part III of the FSMA; and

(c) following that person's admission to Membership, promptly following a request by the Exchange:

(1) (where the person has previously provided a legal opinion pursuant to (b) above) provide to the Exchange an updated reasoned legal opinion, from a law firm meeting the requirements in (b), confirming the continuing validity of the opinion provided under (b); and

(2) (where the person has not previously provided a legal opinion pursuant to (b) above) provide to the Exchange a reasoned legal opinion that satisfies the requirements in (b) above.

The Exchange shall be entitled to refuse to accept a legal opinion provided pursuant to this Regulation 7.5 in the event that the Exchange, in its absolute discretion, is not satisfied that the law firm selected by the Candidate or Member has sufficient and appropriate expertise in United Kingdom financial services regulation or where the Exchange, in its absolute discretion, disagrees with the conclusions set out in the legal opinion.

7.6 A person falling within Regulation 7.2(c) must, promptly following a request by the Exchange, provide such information as the Exchange may reasonably request regarding the basis on which the person is able to lawfully perform activities in relation to the Exchange in the United Kingdom and any other relevant jurisdictions, including, where such person is an

exempt person pursuant to the maintenance of appointed representative status under section 39 of FSMA:

(a) the identity and regulatory status of such person's principal (as defined pursuant to section 39 of FSMA);

(b) a copy of any agreement defining the scope of activities for which such person is permitted to act for its principal within the scope of its agreement with such principal; and

(c) any limitations of the scope of appointment of such person by such principal.

7.7 Notwithstanding Regulations 7.1, 7.2, 7.5 or 7.6, the Exchange may:

(a) refuse to admit a Candidate for Membership that is seeking admission on the basis of Regulation 7.1(d) or Regulation 7.2(b) or Regulation 7.2(c) (or, from EU Withdrawal Date, Regulation 7.1A) (as applicable) in the event that:

(1) the Exchange is not satisfied that the Candidate has demonstrated beyond all reasonable doubt that it is able to lawfully perform the activities that it may, or may be required to, perform as a Member of the Exchange notwithstanding that it is not an authorised person within the meaning of Part II of the FSMA; or

(2) the Exchange has reasonable grounds for concern as to the ability of the Candidate to ensure that the activities that it performs as Member in relation to the Exchange shall always fall within the scope of an appropriate exclusion under the RAO; or

(3) the Exchange has reasonable grounds for concern as to the ability of the Exchange and/or the Clearing House to continue to provide access to their respective facilities in accordance with applicable law; or

(b) where a Member is admitted on the basis of Regulations 7.1(d) or 7.2(b) or 7.2(c) or 7.6, suspend or terminate a Member's Membership, or change the category of a Member's Membership in the event that:

(1) the Member fails to comply with Regulations 7.4(b) or 7.5(a) or (c) or 7.6; or

(2) the Exchange has reasonable grounds to believe that the Member may not be able to lawfully continue to perform the activities that it may, or may be required to, perform as a Member of the Exchange with the Member's category of Membership; or

(3) the Exchange has reasonable grounds for concern as to the ability of the Exchange and/or the Clearing House to continue to provide access to their respective facilities in accordance with applicable law.

7.8 Each Member is responsible for ensuring that it and its agents have secured all regulatory approvals needed by them in any jurisdiction in order to perform the activities that the Member may conduct on or in connection with the Exchange and for complying with all applicable laws and regulations applying to such activities.

8. CHANGE IN OWNERSHIP OF A MEMBER

8.1.1 A Member which is a body corporate shall notify the Exchange in writing of the name of any person for the time being holding, or having a beneficial interest in, 10% or more of any class of the equity share capital of the Member or of any Parent Undertaking of the Member, and of any change in such a holding or interest, within seven days of the holding or interest, or a change therein, coming to the Member's notice.

8.1.2 The members of a partnership or an unincorporated association who are joint Members shall notify the Exchange in writing of the name of any person who becomes or ceases to be a partner of that partnership or member of that unincorporated association (as the case may be) within seven days of that event coming to that joint Member's notice.

8.2 Upon receipt by the Exchange of any notice from a Member under Regulation 8.1.1 or 8.1.2 the Exchange may review the suitability of the Member for Membership of the Exchange. The Exchange may require the Member to furnish such additional information as the Exchange may from time to time consider material in the course of such review. If upon completion of the review the Exchange is not satisfied that the Member continues to satisfy the criteria for Membership of the relevant class it shall consider whether to suspend the rights of the Member.

9. DESIGNATION OF MEMBERS

Members may only describe their Membership of the Exchange on any letter heading, advertisements, brochures, or other written material in the following terms:

Type of Member	**Description**
Category 1 Member	"Ring Dealing Member" or "Category 1 Member" of the London Metal Exchange.
Category 2 Member	"Associate Broker Clearing Member" or "Category 2 Member" of the London Metal Exchange.
Category 3 Member	"Associate Trade Clearing Member" or "Category 3 Member" of the London Metal Exchange.
Category 4 Member	"Associate Broker Member" or "Category 4 Member" of the London Metal Exchange.
Category 5 Member	"Associate Trade Member" or "Category 5 Member" of the London Metal Exchange.
Honorary Member	"Honorary Member" of the London Metal Exchange.
LMEprecious General Clearing Member	"LMEprecious General Clearing Member" of the London Metal Exchange.
LMEprecious Individual Clearing Member	"LMEprecious Individual Clearing Member" of the London Metal Exchange.
LMEprecious Non-Clearing Member	"LMEprecious Non-Clearing Member" of the London Metal Exchange.

RIB Tier 1 Member	"Registered Intermediating Broker Tier 1" or "RIB Tier 1 Member" of the London Metal Exchange.
RIB Tier 2 Member	"Registered Intermediating Broker Tier 2" or "RIB Tier 2 Member" of the London Metal Exchange.

The words London Metal Exchange may be abbreviated to LME.

10. WITHDRAWAL FROM MEMBERSHIP

10.1 Subject to Regulation 10.2 to 10.7, a Member may at any time withdraw from Membership of the Exchange and, where the Member (other than a Registered Intermediating Broker) participates in both the LME Base Service and the LMEprecious Service, from any individual service.

10.2 A Member desiring to withdraw from Membership must lodge a notice in writing to that effect (a "**resignation notice**") with the team(s) at the Exchange with responsibility for managing the process of admission to Membership. If the resignation notice is not received by the team on or before the 30th day of November of the year in which the Member intends their Membership to cease, the Member will be liable for payment of the subscription for the following year.

10.3 A Member who gives the Exchange a resignation notice must provide the Exchange with such information concerning the circumstances of the resignation as, in the opinion of the Exchange, is necessary for the Exchange to determine whether:

(a) to accept the resignation;

(b) to postpone the effective date of the resignation;

(c) without prejudice to the courses of action available to the Exchange under sub-paragraphs (a) and (b) above, any other measures should be taken by the Exchange before or after the resignation takes effect.

10.4 The Exchange may, in its absolute discretion, refuse to accept a resignation notice given by a Member or may postpone the effective date if it considers it necessary for the protection of Clients, or otherwise in the interests of the market.

10.5 A Member who ceases to be a Member by virtue of Regulations 10 or 15 (a "**Former Member**") shall remain subject to the Rules and to the jurisdiction of the Exchange including, inter alia, those Rules relating to the retention of records and provision of information, in respect of acts and omissions while they were a Member and in respect of any investigation or disciplinary proceedings relating thereto (including the payment of any fine or application of any other sanction imposed) as if they were a Member, for the longer of:

(a) the period of six years from the date on which they ceased to be a Member; or

(b) the period during which any disciplinary proceedings continue against them, being proceedings started by the Exchange no later than twelve months after the date on which they ceased to be a Member, subject to any extension of the period under Regulation 10.7; or

(c) the period until such time as all their obligations under any Contract entered into by such Member prior to them ceasing to be a Member shall have been discharged.

10.6 Disciplinary proceedings following a Member's resignation may be started by giving notice to the Former Member of an investigation no later than twelve months after the date on which they ceased to be a Member.

10.7 In the event that a Disciplinary Committee concludes that there are, or may be additional matters which should be investigated and in respect of which disciplinary proceedings may be taken, the period referred to in Regulation 10.5 shall be extended until such time as such additional disciplinary proceedings are completed (including the payment of any fine or application of any other sanction imposed).

10.8 Where a Category 5 Member:

(a) does not pay any Membership Fee due to the Exchange, and such fee remains unpaid for more than sixty (60) calendar days from the date on which the Exchange requests that such Fee be paid; or

(b) fails to respond, to the satisfaction of the Exchange, within a period of thirty (30) calendar days to a request for information from the Exchange,

the Exchange may, in its absolute discretion, terminate the Member's Membership. The Exchange shall communicate any such decision to terminate the Member's Membership to the Member in writing. Such notification shall confirm the date on which the Member's Membership shall terminate, and the Membership of the relevant Category 5 Member shall terminate on such date.

10.9 Where a Member resigns from an individual service, and remains a Member of any other service, Regulations 10.5, 10.6 and 10.7 shall be construed to apply only in respect of the service from which the Member has resigned.

11. COMMITTEES

11.1 The Exchange shall appoint such committees with such terms of reference as it may from time to time determine.

11.2 The persons to serve on committees shall be drawn from Exchange staff, Members, Clients and other market participants, warehouses and such other persons with relevant experience as the Exchange may select.

11.3 No person serving on any committee shall, in the absence of bad faith or wilful default, be under any liability whatsoever whether in contract, in tort or otherwise to any Member for any decision taken or other act or omission of the relevant committee.

12. PROVISION OF INFORMATION AND OBLIGATIONS OF MEMBERS

12.1 Each Member (other than Category 5 and Honorary Members) shall provide the following financial, trading and other relevant information to the Exchange:

12.1.1 in relation to Category 1, Category 2, Category 3 and Category 4 Members, LMEprecious Clearing Members and LMEprecious Individual Clearing Members, and Registered Intermediating Broker Members annual audited accounts (including balance sheet, profit and loss account and cash flow statement) within four months of the end of its financial year and those of its ultimate Parent Undertaking (if any) as soon as they are sent to any person entitled to receive them; and

12.1.2 in relation to Category 4 Members, LMEprecious Non-Clearing Members and Registered Intermediating Brokers, the annual statement of capital issued by an independent external auditor, within two weeks of receipt by the Member of the finalised statement; and

12.1.3 such further information in relation to commercial matters as may be required by the Exchange generally or in any specific case; and

12.1.4 such further information in relation to regulatory, compliance and market-conduct related matters as may be required by the Exchange. Without limitation to the generality of the foregoing, where the Exchange deems it necessary, the information required may include information relating to (i) any business in metals of a Member or any of a Member's affiliates, whether that information relates to the business of the Member or of any affiliate; and/or (ii) any business of a Client of a Member in metals. Such business in metals may include, without limitation, "over-the-counter" business in the trading, storage or financing of metals.

12.2 The Exchange in relation to commercial, operational, regulatory and/or compliance matters may request trading or other information regarding any Clearing Member from the Clearing House and the Clearing House shall provide the same.

12.3 The Exchange in relation to commercial, operational, regulatory and/or compliance matters shall be entitled at any time to inspect and take copies of the records, trading information, books of account and other documentation, in whatsoever medium retained, of Members (including, in whatsoever medium retained, any documentation maintained by or in the possession of the Member for any other person) for the purpose of ensuring compliance with the Rules. Where documentation of a Member is maintained for it by a third party, the Member shall procure that access is provided to such documentation as if it were in the possession of the Member.

12.4 Any person or persons whom the Exchange appoints to do so shall be entitled at any time to attend at the premises of any Member for the purpose of inspecting any of the matters referred to in Regulations 12.1 and 12.3 and the Member shall ensure that all cooperation is afforded.

12.5 The Exchange and any person or persons appointed by the Exchange to do so may cooperate with any governmental or international agencies, any investment exchanges, any clearing houses and self-regulatory and other regulatory or enforcement organisations in such manner as each of the Exchange or a person appointed by the Exchange thinks fit and shall, in particular, be permitted to divulge to any of the aforesaid persons or bodies any information for the time being in the possession of the Exchange regarding any Member's financial condition or trading activity including any information obtained pursuant to Regulations 12.1 to 12.4.

12.6 A Member shall:

(a) observe high standards of integrity and fair dealing;

(b) observe high standards of market conduct and have regard to the standards and guidance as provided by the FCA and industry bodies such as, without limitation, the FIA;

(c) establish and maintain a system of internal controls, including without limitation, appropriate and adequate risk management systems, which are appropriate to the nature, scale and complexity of the Member's business on the LME market and to the Member's obligations under the Rules and, where relevant, the Clearing House Rules.

The system of internal controls shall be documented, reviewed on a regular basis and supported by written procedures;

(d) either avoid any conflict of interest arising between itself and a Client or, where conflicts arise, manage conflicts of interest fairly. A Member shall ensure fair treatment to all its Clients and a Member shall not unfairly place their interests above those of their Clients. A Member shall comply with any guidance as published by Notice by the Exchange from time to time;

(e) ensure its internal record-keeping is appropriate and adequate;

(f) ensure that it has appropriate and adequate business continuity plans and must participate in any mandatory business continuity tests notified to the Member by the Exchange from time to time;

(g) ensure that all of its Dealers, Member Representatives, staff and directors involved in the conduct of business on the Exchange are fit and proper, suitable, appropriately and adequately trained, properly supervised, and, where appropriate, suitably qualified;

(h) ensure that any business conducted on the Exchange by it, its Dealers and Member Representatives, complies with the Member's, the Dealers' and the Member Representatives' obligations under the Rules;

(i) ensure that any business conducted by it, or by or through any of its Dealers or staff or Member Representatives, shall not cause the Member, its Dealers, Member Representatives or the Exchange or Clearing House or any of their respective staff to be in breach of any applicable laws and/or regulations, including without limitation any relevant Sanctions (except to the extent that any obligation or undertaking contemplated by this Regulation 12.6(i) would be in conflict with any applicable laws purporting to nullify or restrict the effect of foreign Sanctions or preventing boycotts);

(j) ensure that it does not enter orders into or make or facilitate trades via LME Select or in the inter-office market in or from a jurisdiction where the Exchange does not have the relevant regulatory licences or approvals (if such regulatory licence or approval is required) if to do so would put the Exchange in breach of any legal or regulatory obligations to which it might be subject within that jurisdiction or would bring the Exchange into disrepute with the regulatory authority within such jurisdiction. A Member shall observe the requirements set out in the Jurisdictions Notice, as updated from time to time;

(k) ensure that any hardware, information technology or any online services provided to it, or any of its Dealers or Member Representatives, or made available to it, or any of its Dealers or Member Representatives, pursuant to its Membership of the Exchange shall only be used for the purposes of conducting its business and activities as a Member of the Exchange, in accordance with these Regulations;

(l) retain all relevant documentation, and provide the Exchange with copies thereof on request, in relation to all Contracts arranged, or entered into, by them and also in relation to all other contracts arranged, or entered into, by them for the purchase and sale of primary aluminium, aluminium alloy, cobalt, copper, lead, molybdenum, nickel, steel, tin, zinc, including:

- any option for the purchase and sale of any such metal; and

- any contract for difference, swap, or similar contract based on the price of any such metal;

(m) deal with the Exchange in an open and cooperative manner and keep the Exchange promptly informed of any mattter concerning the Member which the Exchange might reasonably expect to be disclosed to it. This duty of disclosure shall arise as soon as the Member becomes aware, or has reasonable grounds for believing, that such a matter has arisen or will arise;

(n) have, implement and maintain policies and procedures that are adequate to ensure compliance with applicable Sanctions, and, at the request of the Exchange and/or the Clearing House, promptly provide satisfactory evidence of such policies and procedures (including, without limitation, copies thereof) and of the adequate implementation and maintenance of such policies and procedures (except to the extent that any obligation or undertaking contemplated by this Regulation 12.6(l) would be in conflict with any applicable laws purporting to nullify or restrict the effect of foreign Sanctions or preventing boycotts);

(o) notify the Exchange and the Clearing House as soon as reasonably practicable upon becoming aware of significant disruptions to its systems which have the potential to impact the orderly functioning of the Exchange or the Clearing House, including such disruption caused by any unauthorised use of a computer and/or system. Factors that may indicate significant system disruptions impacting the functioning of the Exchange include (but shall not be limited to) any major malfunction or breakdown of the following, however caused;

(i) the Member's trading system; or

(ii) the Member's system for order management, such that it adversely affects the ability of the Member and/or its Client(s) to enter, adjust or cancel their orders; or

(iii) any application programming interfaces ("APIs") or graphical user interfaces ("GUIs") through which the Member's systems interface with the systems of the Exchange;

(p) notify the Exchange and the Clearing House as soon as reasonably practicable upon becoming aware of any of the following:

(i) any Sanctions of which it has become the target;

(ii) any change to the Member such that it is or becomes incorporated, registered, located, organised, domiciled or resident in any jurisdiction subject to Sanctions;

(iii) any of its Affiliates, Clients, directors, officers, employees or agents or any of its Affiliates' directors, officers, employees or agents, to its knowledge:

(1) being the target of any Sanction;

(2) being or becoming incorporated, registered, located, organised, domiciled or resident in any jurisdiction subject to Sanctions,

unless, in any case, the same is permitted pursuant to an exemption or exception in the applicable laws establishing the Sanctions or any regulations thereunder or subject to an applicable license granted by all relevant governmental authorities under that applicable law;

(iv) details of any order or transaction in metal derivatives which if made on, or reported to, the Exchange, would take place in circumstances where the Member would be in breach of Regulation 12.6(i) above; and

(q) be responsible for and remain liable for:

(i) any failure of a Dealer, Member Representative or member of staff to comply with their obligations under the Rules; and

(ii) the failure of a Dealer or Member Representative to pay an automatic fine, a fine or order for costs imposed by the Ring Disciplinary Committee, or Disciplinary Committee that has not been overturned by an Appeal Committee.

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) 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) above.

12.8 Where applicable under Regulation 7.5, a Member shall provide to the Exchange a legal opinion that satisfies the requirements of that Regulation, which shall be updated at such frequency as may be required pursuant to that Regulation.

12.9 Subject to Regulation 12.6(j) above, Members must notify the Exchange, as applicable:

(a) on entering into a client relationship with any Client meeting the classification of "retail client", and prior to entering into or (in the case of RIBs) arranging a Contract on behalf of such Client; or

(b) prior to re-categorising an existing Client that is either a "professional client" or "eligible counterparty" as a retail client,

where the terms "retail client", "professional client" and "eligible counterparty" appear they shall have the same meanings ascribed to them in MiFID II.

12.10 In the circumstances described in Regulation 12.10.1 below, the Exchange may take any of the actions described in Regulation 12.10.2.The circumstances are that the Exchange suspects that a Client or any member of its Group or any other person who is a direct or indirect client of a Member whether in respect of Contracts or Applicable OTC Contracts or otherwise (such person being a “Client of Concern”):

(a) is, or has been, involved in conduct that involves:

(i) the manipulation or attempted manipulation of the market or any prices, indices or benchmarks set or otherwise published by the Exchange; or

(ii) the creation or attempted creation of a disorderly market; or

(b) is, or has been, in breach of any Sanctions; or

(c) is, or has been in breach of any applicable law or regulation relevant to the use by such person of any facilities of the Exchange or the entry into, or performance of, any Contracts or Applicable OTC Contracts and/or the use, holding of, or transactions in, any metal that is an LME-listed brand of metal; or

(d) is assisting or has assisted any other person to do any of (a), (b) or (c) above; or

(e) fails to co-operate with any Investigation by the Exchange into whether such Client of Concern or member of its Group is, or has been, involved in any conduct of the nature described in (a) to (d) above (including through any failure to promptly provide any relevant information requested by the Exchange in connection with such Investigation).

12.10.2 The Exchange may direct any Member, or all Members, to take such action as the Exchange may direct in order to mitigate the potential impact of such Client of Concern on the Exchange and/or the market for metals listed on the Exchange. Such action may include, but is not limited to:

(a) providing to the Exchange relevant information regarding the Client of Concern that the Exchange may request, in connection with any investigation by the Exchange and/or any regulatory authority into any matters described in Regulation 12.10.1;

(b) requiring the Member to obtain the prior agreement of the Exchange to the agreement of any Agreed Trade and/or Contract or Applicable OTC Contract with or for the Client of Concern;

(c) ceasing to effect Cleared Contracts and/or Client Contracts and/or Applicable OTC Contracts with or for the Client of Concern; or

(d) reducing Client Contract positions or Applicable OTC Contract positions with the Client of Concern, or trading out of such positions altogether.

12.10.3 When exercising its powers under Regulation 12.10, the Exchange:

(a) may consult with, and share information regarding, a Client of Concern with the FCA and any other relevant regulatory authority; and/or

(b) may take into account the conduct, behaviour and/or other relevant circumstances of any person that the Exchange considers may be connected to, or may have a material ability to affect, the activities of the Client of Concern in connection with any of the facilities of the Exchange or the entry into, or performance of any Contracts or Applicable OTC Contracts and/or the use, holding of, or transactions in, any metal that is an LME-listed brand of metal.

13. INVESTIGATIONS INTO SUSPECTED ACTS OF MISCONDUCT

13.1 In accordance with this Regulation 13, the Exchange may conduct an Investigation or appoint a suitable person to conduct an Investigation, where it considers, in its absolute discretion, there to be good reason to suspect that one or more Acts of Misconduct may have occurred.

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;

(b) a failure to pay an automatic penalty charge, a fixed penalty fine or a fine or order for costs imposed by a Disciplinary Committee that has not been overturned by an Appeal Committee;

(c) in the case of a Dealer or Member Representative, failure to pay an automatic fine or fine, or order for costs imposed by the Ring Disciplinary Committee, or Disciplinary Committee that has not been overturned by an Appeal Committee;

(d) a Serious Offence committed by a Dealer or Member Representative;

(e) an LME Select Offence committed by an LME Select Participant;

(f) conduct which has brought or may be likely to bring the Exchange or any of its markets into disrepute;

(g) provision to the Exchange of information (including information for the purpose of obtaining Membership) which is false, misleading or inaccurate;

(h) ceasing to meet eligibility criteria for Membership as set out in Regulations 1 to 4 without notifying the Exchange;

(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

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

13.3 The Exchange shall issue a written Notice of Investigation (NoI) notifying the Member and, where relevant, the Dealer, Member Representative or an LME Select Participant, that it has commenced an Investigation. The NoI shall be addressed to the Compliance Officer of the Member and, where relevant, to the Dealer or the Member Representative, and shall contain a brief description of the matter under Investigation.

13.4 The Exchange may, in its absolute discretion, expand the scope of an Investigation if it considers it appropriate to do so. The Exchange shall notify the Member and, where relevant, the Dealer or Member Representative in writing that the scope of the Investigation has been expanded.

13.5 In the course of conducting an Investigation, the Exchange may appoint any external advisors and / or expert witnesses as it deems fit. Any external adviser or expert witness appointed by the Exchange shall be required to treat all information obtained in the course of the Investigation as confidential and will not disclose this information to any other party (other than the Exchange) unless compelled to do so by law or regulation, or unless the external

advisor or expert witness has the Exchange's prior written consent to disclose the information to another party.

13.6 Members, Dealers and Member Representatives shall co-operate fully with all Investigations conducted by the Exchange (whether or not the Member, Dealer or Member Representative is the subject of the Investigation). In particular, and without limitation, a Member (and so far as it is applicable, a Dealer and a Member Representative) shall:

(a) act in an open and co-operative manner, be honest and truthful and not mislead or attempt to mislead the Exchange or conceal or omit any matter that is relevant, or is likely to be relevant, to the Investigation;

(b) provide full and complete responses to all requests for information made by the Exchange, including information relating to business conducted by, or on behalf of, Clients, and to provide all documents and records that the Exchange considers relevant to the purposes of the Investigation unless such information, documents or records are legally privileged or otherwise legally protected from disclosure;

(c) comply with timelines set by the Exchange for responding to requests for information and / or for providing requested documents and records. Such timelines may be extended upon the agreement of the Exchange, which will be granted if the Exchange, in its absolute discretion, deems it reasonable to grant such an extension;

(d) make available for interview such of their officers, employees, contractors or agents (including Member Representatives and Dealers) as may be reasonably requested in order that they may answer questions and explain any matter that the Exchange considers relevant to the Investigation. All interviews shall be recorded, either by hand or electronically;

(e) Comply fully with their obligation to provide information in accordance with Regulation 12; and

(f) permit those persons appointed by the Exchange to conduct, or assist in conducting, the Investigation, to attend at any time the premises of any Member for the purpose of inspecting any systems, documents and records that the Exchange considers relevant for the purposes of the Investigation.

13.7 The Exchange may refer the conduct of a Member, Dealer, Member Representative or any other person that has been considered during the Investigation to the FCA or other appropriate authorities pursuant to Regulation 12.10.3.

13.8 Where some or all of the findings of an Investigation may be of relevance to the market in general, the Exchange may publish such findings as it deems appropriate.

14. DISCIPLINE

Outcomes of an Investigation

14.1 The Exchange may at the conclusion of an Investigation take one of the following courses of action:

(a) take no further action. In such circumstances, the Exchange shall notify the Member, Dealer or Member Representative or any other person concerned in writing;

(b) issue a Private Warning in accordance with Regulations 14.2 to 14.5;

(c) impose a Fixed Penalty in accordance with Regulations 14.6 to 14.8; or

(d) refer the matter to the Enforcement Committee in accordance with Regulation 14.9 to 14.11.

Private Warning

14.2 Where it has reasonable grounds to conclude that a Member, Dealer or Member Representative may have committed an Act of Misconduct, the Exchange may, in its absolute discretion, determine whether to issue a Private Warning instead of pursuing disciplinary action.

14.3 Prior to issuing a Private Warning, the Exchange shall notify the Member, Dealer or the Member Representative in writing that it has concerns that they may have committed an Act of Misconduct, and that the Exchange proposes to issue a Private Warning. The Member, Dealer or the Member Representative shall have an opportunity to respond in writing to the Exchange regarding whether a Private Warning is appropriate in the circumstances.

14.4 If, in its absolute discretion, and having considered any responses from the Member, Dealer or the Member Representative in accordance with Regulation 14.3, the Exchange considers it appropriate, the Exchange shall issue the Private Warning in writing to the Member, Dealer or Member Representative. A Private Warning shall identify and explain the Exchange's concerns about the conduct of the Member, Dealer or Member Representative. The issuance of any Private Warning shall be private and no notice shall be published. There shall be no right of appeal against a Private Warning.

14.5 A Private Warning will not constitute a form of a disciplinary sanction but may be taken into account by the Exchange or the Enforcement Committee or any Disciplinary Committee or Appeal Committee when considering any subsequent Acts of Misconduct by the Member, Dealer or Member Representative. A Private Warning shall stay on the record of the relevant Member, Dealer or Member Representative for a period of two years from the date of issuance of the Private Warning. After the expiration of a two year period a Private Warning may not be taken into account by the Exchange or the Enforcement Committee or any Disciplinary Committee or Appeal Committee.

Fixed Penalty

14.6 The Exchange may, in its absolute discretion, impose a Fixed Penalty on a Member in respect of a Fixed Penalty Offence.

14.7 Prior to imposing a Fixed Penalty, the Exchange shall notify a Member in writing of its intention to impose a Fixed Penalty and will allow the Member the opportunity to respond in writing. The Exchange may, having considered any response from the Member, impose a Fixed Penalty in accordance with Regulation 14.6. The Fixed Penalty Notice shall contain details of the Fixed Penalty Offence and the amount of the Fixed Penalty to be paid.

14.8 A Member may appeal against the imposition of a Fixed Penalty by lodging a Fixed Penalty Appeal with the Head of Enforcement within five (5) Business Days of receiving the Fixed Penalty Notice. The Head of Enforcement shall refer the Fixed Penalty Appeal to the Chairman of the Disciplinary Panel who will constitute a Disciplinary Committee in

accordance with Regulation 14.81 in order to determine the Fixed Penalty Appeal. The Fixed Penalty Appeal shall be conducted in accordance with Regulations 14.60 to 14.68.

Preliminary Findings, Member Response & Report

14.9 Following an Investigation and in circumstances where the Exchange is considering referring the matter to the Enforcement Committee in accordance with Regulation 14.1(d), the Exchange may in its absolute discretion, provide the Member or, where relevant, the Dealer or Member Representative with a written summary of its preliminary findings.

14.10 If the Member or, where relevant, the Dealer or Member Representative wishes to dispute any or all of the preliminary findings, it shall have twenty (20) Business Days from the date of having being notified of the Exchange's preliminary findings to submit a written response to the Exchange.

14.11 The Exchange shall consider any written response received pursuant to Regulation 14.10 and, where it considers it appropriate, may amend any or all of its preliminary findings. If the Exchange, having considered any response submitted pursuant to Regulation 14.10, considers that there are grounds to believe that one or more Acts of Misconduct has occurred, it shall submit a report detailing the findings of the Investigation and any response received from the Member or, where relevant, the Dealer or Member Representative, pursuant to Regulation 14.10, to the Enforcement Committee (a "Report").

Institution of Proceedings by the Enforcement Committee

14.12 The Enforcement Committee shall consider the Report and may take any of the following actions in respect of any Act of Misconduct by a Member, or by a person deemed to be the responsibility of a Member, or with regards to Serious Offences, a Dealer or Member Representative:

(a) instruct the Exchange to take no further action and inform the Member concerned of this in writing;

(b) recommend to the Exchange that a Private Warning be issued by the Exchange in writing in accordance with the provisions of Regulations 14.2-14.5 above;

(c) permit the Exchange a period during which to hold discussions with the Member, Dealer or Member Representative regarding settlement in accordance with the provisions of 14.66-14.69 below (after which period, where no settlement is reached, disciplinary proceedings would be instituted); or

(d) institute disciplinary proceedings against any Member, Dealer or Member Representative.

Disciplinary Proceedings

14.13 Where the Enforcement Committee decides, pursuant to Regulation 14.12(d) to institute disciplinary proceedings, the Exchange shall serve a notice, approved by it setting out the alleged Act of Misconduct together with a summary of the facts relied upon ("the Disciplinary Notice") on the Member or, with regards to Serious Offences, the Dealer or Member Representative concerned.

Defence

14.14 The Member, Dealer or Member Representative has twenty (20) Business Days from service of the Disciplinary Notice in which to serve a statement of defence ("the Defence") responding to all or any of the allegations, stating its intended pleas and what admissions of fact, if any, it makes.

14.15 Where no Defence has been served pursuant to Regulation 14.14, and no settlement has been reached, pursuant to Regulations 14.66 to 14.69 inclusive, the Member, Dealer or Member Representative will be deemed to have accepted the facts and matters alleged in the Disciplinary Notice.

14.16 Having seen and considered the Defence, the Exchange may either:

(a) continue disciplinary proceedings;

(b) discontinue disciplinary proceedings.; or

(c) issue a Private Warning in accordance with Regulations 14.2-14.4 above.

14.17 In the case of 14.16(a), the Head of Enforcement shall refer the case to the Chairman of the Disciplinary Panel who will constitute a Disciplinary Committee in accordance with Regulation 14.The Disciplinary Committee shall notify the Exchange and the Member, Dealer or Member Representative in writing that it has been constituted and the date on which it has been constituted. In the case of 14.16(b) or 14.16(c), any such decision shall be subject to ratification by the Enforcement Committee, and shall not be effective until such ratification. Following ratification, the Exchange shall inform the Member, Dealer or Member Representative of the decision in writing. For the avoidance of doubt, this Regulation is without prejudice to the ability of the Exchange to settle the matter at any time in accordance with the provisions of Regulations 14.66 to 14.69 below.

Procedure for Disciplinary Proceedings

14.18 Not later than twenty (20) Business Days following the date on which the Disciplinary Committee was constituted in accordance with Regulation 14.17 above, the Disciplinary Committee shall:

(a) provide the parties with written directions as to the conduct of the case; or

(b) make arrangements for a pre-hearing review.

14.19 Without prejudice to the power of the Disciplinary Committee to conduct proceedings as it sees fit, it is the intention of both the Exchange and its Members that disciplinary proceedings will generally be conducted wholly in writing, unless there is a compelling reason otherwise (for example, without limitation, the complexity of the case or the need to cross-examine witnesses), in order to save costs and ensure the expeditious resolution of the matter. If the Exchange or Member, Dealer or Member Representative request that the proceedings be conducted by way of a hearing, the Disciplinary Committee may direct that the proceedings be conducted by way of an in person hearing.

Directions

14.20 The Disciplinary Committee may give all such directions and take such other steps as it considers appropriate for the clarification of the facts and issues and for the just and expeditious determination of the case.

14.21 Where the Disciplinary Committee considers that a pre-hearing review is required, the Exchange and the Member, Dealer or Member Representative shall attend the pre-hearing review and may be legally represented.

14.22 Without restriction on its general power to give directions, the Disciplinary Committee may, in any written directions (whether or not following any pre-hearing review):

14.22.1 fix a time and place and/or make other arrangements for any oral hearing, if the Disciplinary Committee considers it necessary to schedule a hearing;

14.22.2 direct that the hearing or any part of the hearing proceed by way of oral arguments or oral witness testimony, otherwise it shall be presumed that evidence will presented to the Disciplinary Committee in writing in accordance with Regulation 14.19;

14.22.3 direct the Exchange or the Member, Dealer or Member Representative to disclose and serve copies of any document or any other evidence in the possession of the Exchange, Member, Dealer or Member Representative, except documents which are subject to legal privilege;

14.22.4 direct the Exchange to present its case before the Disciplinary Committee, including any written evidence on which the Exchange intends to rely upon;

14.22.5 direct the Member, Dealer or Member Representative to present their response to the Exchange's case, including any written evidence on which the Member, Dealer or Member Representative intends to rely upon;

14.22.6 direct the Exchange or the Member, Dealer or Member Representative to provide the names of all witnesses on whose evidence they intend to rely, and their statements or an outline of proposed evidence;

14.22.7 direct the Exchange and/or the Member, Dealer or Member Representative the opportunity to respond to the other party's submissions;

14.22.8 make time limits for complying with directions and orders or for any other purpose of the proceedings;

14.22.9 grant leave to the Exchange or the Member, Dealer or Member Representative to amend any documents which have been submitted to the Disciplinary Committee where it is fair and expedient to do so. Within such period of time of the grant of leave to amend as shall be specified by the Disciplinary Committee, the party granted such leave shall serve the amended document on the other party;

14.22.10 extend or abridge time limits; and/or

14.22.11 make any order for the payment of costs of or in connection with pre-hearing preparation or any pre-hearing review, or for the payment of costs of or in connection with preparation of written materials submitted to the Disciplinary Committee.

14.23 In the event that the Member, Dealer or Member Representative fails to comply with any direction, any of the aforementioned may apply to the Disciplinary Committee for an order that the Member, Dealer or Member Representative or Exchange be precluded from submitting materials to the Disciplinary Hearing unless the direction is complied with. In addition, failure by the Member, Dealer or Member Representative to comply with any direction may be adduced by the Exchange before the Disciplinary Committee for such inferences to be drawn as are proper in all the circumstances.

14.24 In the event that the Exchange fails to comply with any direction, the Member, Dealer or Member Representative may apply to the Disciplinary Committee for an order that the Exchange be precluded from pursuing the case unless the direction is complied with, or an order that the case be dismissed.

Procedure for Disciplinary Hearings in Person

14.25 The following provisions shall apply where the Disciplinary Committee proposes to hold a hearing in person:

14.26 The date of any hearing shall be set in the written directions or at the pre-hearing review, where held. The Exchange and the Member, Dealer, or Member Representative shall attend the hearing and may be legally represented.

14.27 All parties attending any hearing, including any witnesses to be called by either party, shall be given reasonable notice of the date, time and venue.

14.28 The Disciplinary Committee shall adopt the following procedure at a hearing, unless the Disciplinary Committee determines that there are reasonable grounds for adopting an alternative procedure:

14.28.1 the Exchange to open the case;

14.28.2 the Exchange to adduce evidence and to call witnesses whom the Member, Dealer or Member Representative may then cross-examine, the Exchange re-examine, and who may be asked questions by the Disciplinary Committee;

14.28.3 the Member, Dealer or Member Representative to adduce evidence and to call witnesses whom the Exchange may cross-examine, the Member re-examine and who may be asked questions by the Disciplinary Committee;

14.28.4 the Exchange to address the Disciplinary Committee;

14.28.5 the Member, Dealer or Member Representative to address the Disciplinary Committee.

The Determination

14.29 Having considered the arguments of the parties and any evidence that has been adduced during the disciplinary proceedings the Disciplinary Committee shall publish its findings in writing to the parties as soon as practicable, including any penalty to be imposed.

14.30 Where the Disciplinary Committee is satisfied that the Member, Dealer or Member Representative has committed an Act of Misconduct, but wishes to hear further representations as to the penalty to be imposed, it may elect to provide the parties with an opportunity to make representations before determining the penalty to be imposed.

14.31 In such case, the Disciplinary Committee shall announce the penalty to be imposed as soon as possible.

14.32 Any penalty imposed shall take into account any representations made by the parties, all the circumstances of the offence and may take into account any previous disciplinary record and/or any Private Warnings issued within the preceding two years before deciding the penalty to be imposed and the costs to be ordered.

14.33 The written decision of the Disciplinary Committee shall include, without limitation, its findings of fact, its findings as to whether any charges not admitted are proved, the reasons for its decision and any penalties to be imposed on the Member, Dealer or Member Representative together with an indication as to whether any part of the penalty relates to an order made under Regulation 14.35.3 and/or Regulation 14.35.4 and what part is purely punitive.

14.34 Subject to appeal, and unless the Disciplinary Committee determines otherwise, any penalty imposed shall take effect ten (10) Business Days after service of the written decision.

Penalties

14.35 The Disciplinary Committee may impose one or more of the following penalties:

14.35.1 a reprimand;

14.35.2 a fine;

14.35.3 an order that the Member, Dealer or Member Representative make restitution to any person, including without limitation, the Exchange, when the Member, Dealer or Member Representative has profited from an Act of Misconduct at that person's expense;

14.35.4 an order that the Member, Dealer or Member Representative forfeit to the LME any gains made as a result of a proven breach of the Rulebook;

14.35.5 a requirement to comply with such terms and conditions as appropriate;

14.35.6 temporary or permanent withdrawal of Dealer or Member Representative (including Clerk) status and/or withdrawal of a Dealer or Member Representative’s admission rights to the Dealing Area;

14.35.7 suspension or expulsion from Membership subject to ratification by the Exchange.

Indicative Penalties

14.36 Where appropriate, the Exchange may propose, subject to ratification by the Enforcement Committee, indicative penalties to be attached to certain offences covered by these Regulations. These indicative penalties shall represent the level of penalty the Exchange and the Enforcement Committee considers appropriate for an offence given no aggravating or mitigating circumstances.

14.37 Such indicative penalties shall be notified from time to time to all Members by way of a Notice.

14.38 Penalties so notified shall be indicative only and shall not fetter the discretion of a Disciplinary Committee or Appeal Committee to set the penalty it deems appropriate in all the circumstances of the case in question.

Costs

14.39 Costs are at the discretion of the Disciplinary Committee. It may order any party to pay such costs as it thinks appropriate, including, but not limited to, costs incurred in the Investigation, preparation and presentation of the case, including administrative costs.

Appeal Proceedings Relating to Disciplinary Committee Decisions

14.40 Without prejudice to the power of the Appeal Committee to conduct proceedings as it sees fit, it is the intention of both the Exchange and its Members that appeal proceedings will generally be conducted wholly in writing, in order to save costs and ensure the expeditious resolution of the appeal. If the Exchange or Member, Dealer or Member Representative request that the appeal proceed by way of a hearing, the Appeal Committee may direct that the appeal proceed by way of an in person hearing. During the appeal process, the Exchange and the Member, Dealer or Member Representative may be legally represented.

14.41 Within ten (10) Business Days of service of the Disciplinary Committee's decision, the Member, Dealer or Member Representative may appeal by serving a Notice of Appeal on the Chairman of the Appeal Panel and the Exchange. On receipt of the Notice of Appeal, the Chairman of the Appeal Panel shall, in accordance with Regulation 14.83, constitute an Appeal Committee to determine the appeal.

14.42 Within ten (10) Business Days of service of the Disciplinary Committee's decision, the Exchange may appeal to the Appeal Committee by serving a Notice of Appeal on the Chairman of the Appeal Panel and the Member, Dealer or Member Representative.

14.43 A Notice of Appeal shall set out the grounds of the appeal and shall contain a brief statement of all matters relied upon by the appellant.

14.44 The grounds of the appeal in the Notice of Appeal may be any one or more of the following:

14.44.1 the Disciplinary Committee misdirected itself;

14.44.2 the Disciplinary Committee's decision was

(a) one which no reasonable Disciplinary Committee could have reached;

(b) unsupported by the evidence or was against the weight of the evidence; and/or

(c) based on an error of law, or misinterpretation of the Rules.

14.44.3 the penalty imposed by the Disciplinary Committee was either excessive or insufficient; or

14.44.4 new evidence is available and that, had it been adduced, the Disciplinary Committee could reasonably have come to a different decision provided that this will not apply if the evidence could have been adduced before the Disciplinary Committee by the exercise of reasonable diligence on the part of the party seeking to appeal.

14.45 In accordance with Regulation 14.40 above, the Appeal Committee shall adhere to the following procedure when conducting proceedings wholly in writing, unless the Appeal Committee determines that there are reasonable grounds for diverging from the below procedure:

14.45.1 the appellant shall provide detailed information regarding the grounds of the appeal and the matters that it relies upon in submitting an appeal;

14.45.2 the other party may make a submission in response;

14.45.3 the appeallant may make a final submission.

14.46 In the event that the appeal procedure is conducted orally, the Appeal Committee shall adhere to the following procedure during the hearing, unless the Appeal Committee determines that there are reasonable grounds for diverging from the below procedure:

14.46.1 the appellant will open the appeal;

14.46.2 any witnesses called may be cross-examined and re-examined by the parties and questioned by the Appeal Committee;

14.46.3 the other party may make submissions in response;

14.46.4 the appellant may make closing submissions.

14.47 The Appeal Committee shall announce its decision to the parties as soon as practicable.

14.48 The Appeal Committee may dismiss or allow the appeal and may increase or decrease the penalty imposed upon such terms and conditions as it considers appropriate.

14.49 Within twenty (20) Business Days of the conclusion of the hearing, the Appeal Committee shall serve on the parties a written decision setting out its reasons.

14.50 Costs are at the discretion of the Appeal Committee. It may order any party to pay such costs as it thinks appropriate, including, but not limited to, costs incurred in the Investigation, preparation and presentation of the case, including administrative costs.

Ring Appeal Proceedings

14.51 Regulations 14.51 to 14.59 govern Ring Appeal proceedings following a Ring Appeal in accordance with Regulation 11.6.8 of the Trading Regulations. Without prejudice to the power of the Disciplinary Committee to conduct proceedings as it sees fit, it is the intention of both the Exchange and its Members that Ring Appeal proceedings will generally be conducted wholly in writing, in order to save costs and ensure the expeditious resolution of the appeal. If the Exchange, Dealer or Member Representative request that the appeal proceed by way of a hearing, the Committee may direct that the appeal proceed by way of an in person hearing. During the appeal process, the Exchange and the Member, Dealer or Member Representative may be legally represented.

14.52 Within ten (10) Business Days of the Head of Enforcement receiving the Ring Notice of Appeal, pursuant to Regulation 11.6.8 of the Trading Regulations, the Dealer or Member Representative lodging the Ring Appeal must serve their grounds of appeal on the Disciplinary Committee and the Exchange.

14.53 The Notice of Appeal shall set out the grounds of appeal and shall contain a brief statement of all matters relied upon by the appellant.

14.54 The grounds of the Ring Appeal in the grounds of appeal may be any one or more of the following:

14.54.1 the Ring Disciplinary Committee misdirected itself;

14.54.2 the RDC Decision was:

(a) one which no reasonable Ring Disciplinary Committee could have reached,

(b) unsupported by the evidence or was against the weight of the evidence, or

(c) based on an error of law, or misinterpretation of the Rules;

14.54.3 the penalty imposed by the Ring Disciplinary Committee was unduly excessive; or

14.54.4 new evidence is available and that, had it been adduced, the Ring Disciplinary Committee could reasonably have come to a different decision provided that this will not apply if the evidence could have been adduced before the Ring Disciplinary Committee by the exercise of reasonable diligence on the part of the appellant.

14.55 In accordance with Regulation 14.51 above, the Disciplinary Committee shall adhere to the following procedure when conducting a Ring Appeal wholly in writing, unless the Committee determines that there are reasonable grounds for diverging from the below procedure:

14.55.1 the appellant will provide detailed information regarding the grounds of the appeal and the matters that it relies upon in submitting an appeal;

14.55.2 the other party may make submissions in response;

14.55.3 the appellant may make final submissions.

14.56 In the event that the Ring Appeal is conducted orally, the Committee shall adhere to the following procedure during the hearing, unless the Committee determines that there are reasonable grounds for diverging from the below procedure:

(a) the appellant will open the appeal;

(b) any witnesses called may be cross-examined and re-examined by the parties and questioned by the Disciplinary Committee;

(c) the Exchange may make submissions in response; and

(d) the appellant may make closing submissions.

14.57 The Committee shall announce its decision to the parties as soon as practicable.

14.58 The Disciplinary Committee may dismiss or allow the Ring Appeal and may increase or decrease the penalty imposed in the RDC Decision upon such terms and conditions as it considers appropriate.

14.59 Within twenty (20) Business Days of the conclusion of the hearing, the Disciplinary Committee shall serve on the parties a written decision setting out its reasons.

Fixed Penalty Appeal Proceedings

14.60 Regulations 14.60 to 14.68 of the Membership Regulations govern Fixed Penalty Appeal proceedings following a Fixed Penalty Appeal in accordance with Regulation 14.8 of the Membership Regulations above. Without prejudice to the power of the Disciplinary Committee to conduct appeal proceedings as it sees fit, it is the intention of both the Exchange and its Members that proceedings for Fixed Penalty Appeals will generally be conducted wholly in writing, in order to save costs and ensure the expeditious resolution of the appeal. If the Exchange, Member, Dealer or Member Representative request that the Fixed Penalty Appeal proceed by way of a hearing, the Appeal Committee may direct that the Fixed Penalty Appeal proceed by way of an in person hearing. During the Fixed Penalty Appeal

proceedings, the Exchange and the Member, Dealer or Member Representative may be legally represented.

14.61 Within ten (10) Business Days of the Head of Enforcement receiving the Fixed Penalty Notice of Appeal, pursuant to Regulation 14.8 of the Membership Regulations above, the Member, Dealer or Member Representative lodging the Fixed Penalty Appeal must serve their grounds of appeal on the Disciplinary Committee and the Exchange.

14.62 The grounds of appeal shall set out the grounds of appeal and shall contain a brief statement of all matters relied upon by the appellant.

14.63 The grounds of the Fixed Penalty Appeal in the grounds of appeal may be any one or more of the following:

14.63.1 the Exchange misdirected itself;

14.63.2 the Exchange's decision was:

(a) one which could not have reasonably been reached;

(b) unsupported by the evidence or was against the weight of the evidence; or

(c) based on an error of law, or misinterpretation of the Rules;

14.63.3 the penalty imposed by the Exchange was unduly excessive; or

14.63.4 new evidence is available and that, had it been adduced, the Exchange could reasonably have come to a different decision provided that this will not apply if the evidence could have been adduced before the Exchange by the exercise of reasonable diligence on the part of the appellant.

14.64 In accordance with Regulation 14.60 of the Membership Regulations above, the Disciplinary Committee shall adhere to the following procedure when conducting a Fixed Penalty Appeal wholly in writing, unless the Disciplinary Committee determines that there are reasonable grounds for diverging from the procedure:

(a) the appellant will provide detailed information regarding the grounds of the appeal and the matters that it relies upon in submitting an appeal;

(b) the other party may make submissions in response; and

(c) the appellant may make final submissions.

14.65 In the event that the Fixed Penalty Appeal is conducted orally, the Disciplinary Committee shall adhere to the following procedure during the hearing, unless the Disciplinary Committee determines that there are reasonable grounds for diverging from the below procedure:

(a) the appellant will open the appeal;

(b) any witnesses called may be cross-examined and re-examined by the parties and questioned by the Disciplinary Committee;

(c) the Exchange party may make submissions in response; and

(d) the appellant may make closing submissions.

14.66 The Disciplinary Committee shall announce its decision to the parties as soon as practicable.

14.67 The Disciplinary Committee may dismiss or allow the Fixed Penalty Appeal and may increase or decrease the penalty imposed by the Exchange upon such terms and conditions as it considers appropriate.

14.68 Within twenty (20) Business Days of the conclusion of the hearing, the Disciplinary Committee shall serve on the parties a written decision setting out its reasons. Any decision of the Disciplinary Committee in respect of a Fixed Penalty Appeal shall be final and there shall be no right to further appeal.

Settlements

14.69 The Exchange and any Member, Dealer or Member Representative may enter into discussions regarding a settlement at any time from the issuance of the NoI up to the commencement of the disciplinary hearing.

14.70 Any proposal that is received by the Exchange from a Member, Dealer or Member Representative for settlement may be accepted or declined by the Exchange at its absolute discretion (subject to ratification by the Enforcement Committee as set out below). In making its determination as to the appropriate level of any agreed financial penalty, the Exchange shall have regard to the specific circumstances of the case, including but not limited to the stage at which the settlement proposal is made.

14.71 Settlement negotiations shall be on a without prejudice basis.

14.72 An agreed settlement shall be documented in a settlement agreement and the proposed settlement agreement shall be submitted to the Enforcement Committee for ratification. The Enforcement Committee may ratify or refuse to ratify any settlement agreement. A settlement agreement shall not take effect unless ratified by the Enforcement Committee. A settlement agreement so ratified shall have the same status as a decision by a Disciplinary Committee.

Notice to Members regarding Findings and Penalties

14.73 Subject to appeal, where the Disciplinary Committee:

(a) finds that there has been an Act of Misconduct; or

(b) following determination of a Ring Appeal, has upheld a decision of the Ring Disciplinary Committee (whether in whole or in part)

notification of such findings and of any sanction shall be made by means of a Notice to all Members and other interested parties.

14.74 Where disciplinary proceedings have been concluded by way of settlement ratified by the Enforcement Committee, notification of the settlement agreement or the agreed finding shall be made by means of a Notice to all Members and other interested parties.

14.75 Where the Appeal Committee upholds the finding of the Disciplinary Committee (even in the event that the penalty is altered), the above rules on publication shall apply.

Procedural Provisions applicable to the Exchange Disciplinary and Appeal Process

Membership of the Disciplinary Committee and the Appeal Committee

14.76 The Exchange, in consultation with the Chairman of the Disciplinary Panel, shall from time to time appoint persons to a panel ("**the Disciplinary Panel**") in accordance with the terms of reference of the Disciplinary Panel. Membership of particular Disciplinary Committees shall be drawn only from the Disciplinary Panel.

14.77 The Exchange, in consultation with the Chairman of the Appeal Panel, shall from time to time appoint persons to a panel ("**the Appeal Panel**") in accordance with the terms of reference of the Appeal Panel. Membership of particular Appeal Committees shall be drawn only from the Appeal Panel.

14.78 Membership of the Disciplinary Panel and the Appeal Panel shall be notified to Members from time to time by means of a Notice.

14.79 Membership of the Disciplinary Panel shall be for a period of 5 years (the term) renewable. A member of the Disciplinary Panel may not be removed from the Panel prior to the expiration of the term save in the event that they cease to be a Director of the LME, or in the event that they are guilty of conduct which has brought or may be likely to bring the Exchange or any of its markets into disrepute.

14.80 Membership of the Appeal Panel shall also be for a period of 5 years (the term) renewable. A member of the Appeal Panel may not be removed from the Panel save in the event that they are guilty of conduct which had brought or may be likely to bring the Exchange or any of its markets into disrepute.

14.81 The Exchange shall appoint one member of the Disciplinary Panel to be the Chairman of the Disciplinary Panel. The Exchange shall appoint one member of the Appeal Panel to be the Chairman of the Appeal Panel.

14.82 No person shall be eligible to serve as a member of the Disciplinary Committee or Appeal Committee in relation to any particular case if they have any material interest in the matter under consideration either personally or through any Undertaking with which they may be concerned.

14.83 At least one member of the Appeal Committee must be a qualified lawyer.

14.84 At the request of the Head of Enforcement, the Chairman of the Disciplinary Panel shall nominate three members of the Disciplinary Panel to sit on a Disciplinary Committee and shall notify the Member, or the Dealer or Member Representative, and the Exchange of such nomination. The Chairman may nominate themself. If the Member, Dealer or Member Representative does not agree to one or more of the nominated Disciplinary Committee, the Chairman, if satisfied that the grounds of objection are reasonable, shall nominate a replacement, or replacements, from the Disciplinary Panel, subject to such replacement, or replacements, being willing and able to sit on that Disciplinary Committee.

14.85 On receipt of a Notice of Appeal, the Chairman of the Appeal Panel shall nominate three members of the Appeal Panel to sit on an Appeal Committee and shall notify the Member, Dealer or Member Representative and the Exchange of such nomination. The Chairman may nominate themself. If the Member, Dealer or Member Representative does not agree to one or more of the nominated Appeal Committee, the Chairman, if satisfied that the grounds of objection are reasonable, shall nominate a replacement, or replacements, from the Appeal

Panel, subject to Regulation 14.83 and subject to such replacement, or replacements, being willing and able to sit on that Appeal Committee.

Composition of a Disciplinary Committee or Appeal Committee

14.86 The Disciplinary Committee or the Appeal Committee shall appoint one of their number to be the Chairman.

14.87 The quorum of a Disciplinary Committee or Appeal Committee shall be three, unless decided otherwise by the Disciplinary Committee or Appeal Committee.

14.88 The Disciplinary Committee may decide that any pre-hearing review shall be heard by the Chairman sitting alone.

Legal Adviser

14.89 A legal adviser, who shall be a barrister or solicitor, may be appointed by the Disciplinary Committee or the Appeal Committee to sit throughout the hearing (including any pre-hearing review), or be provided with the written material if the proceedings are conducted in writing, and may also provide legal advice to the Committee.

14.90 The same legal adviser may not be appointed to advise both the Disciplinary Committee and the Appeal Committee on the same case.

Hearings in private

14.91 Disciplinary Committee hearings shall, unless they are held in writing, be held in private. Appeal Committee hearings shall be held in private, unless the Member, Dealer or Member Representative elects to hold the hearing in public.

Representation

14.92 Parties to disciplinary proceedings may be legally represented.

14.93 Where disciplinary action is taken against a Dealer or Member Representative and a hearing is held, whether in writing or orally, the Dealer or Member Representative may represent themselves, or may be represented by their employer or may be legally represented.

14.94 Where disciplinary proceedings are taken against a Member and a hearing is held, whether in writing or orally, it may be represented by one or more of its officers, employees or may be legally represented.

14.95 The Exchange may be represented by one or more of its officers, or employees, or may be legally represented.

14.96 The availability of a particular legal representative shall be a relevant, though not a determining factor, when fixing a date for a pre-hearing review or a hearing.

Failure to attend a hearing

14.97 If either party fails to attend, the hearing may proceed in its absence.

Record of hearing

14.98 A record shall be made of the hearing, electronically or otherwise. The Memb er,Dealer or Member Representative shall be entitled to a transcription or copy of the record on payment of the costs.

Burden and standard of proof

14.99 The burden of proof shall be on the Exchange. The Disciplinary Committee shall not find a charge regarding an Act of Misconduct proved unless it is satisfied on the balance of probability.

Evidence

14.100 The Disciplinary Committee may admit any evidence whether oral or written, whether direct or hearsay and whether or not the same would be admissible in a court of law.

Notice periods

14.101 Any notice periods specified in these rules may be amended by agreement in writing between the Exchange and the Member, Dealer or Member Representative, unless such notice periods have been set by the Disciplinary Committee or the Appeal Committee.

14.102 A Member, Dealer or Member Representative may request an extension to a deadline imposed by the Exchange during the course of an Investigation by submitting a request to the Exchange in writing. The Exchange may agree to provide an extension if, in its absolute discretion, it considers such an extension to be appropriate.

Convictions and findings by other authorities

14.103 A Disciplinary Committee or Appeal Committee may have regard to the following when reaching its findings:

(a) the findings of fact of any court in the United Kingdom or of the Upper Tribunal, which have not been set aside on appeal or otherwise shall be conclusive evidence of the facts so found;

(b) a criminal conviction by any court in the United Kingdom which has not been set aside on appeal or otherwise shall be conclusive evidence of the commission of that offence;

(c) the findings of fact of the following bodies, which have not been set aside on appeal or otherwise, shall be prima facie evidence of the facts so found:

(i) any court of competent jurisdiction outside the United Kingdom;

(ii) any committee or tribunal of the Financial Conduct Authority, and any self-regulating organisation, recognised professional body, recognised investment exchange or recognised clearing house or any overseas regulatory authority which the Exchange considers to be relevant exercising regulatory or disciplinary functions;

(iii) the Competition and Markets Authority;

(iv) any other body exercising a regulatory or disciplinary jurisdiction over any persons engaged in financial services business whether in the United Kingdom or elsewhere; and

(v) any successor to any body specified in this Regulation 14.103.

15. DISQUALIFICATION AND EXPULSION

15.1 The criteria for Membership are continuing requirements and if a Member shall cease at any time to satisfy any of the criteria for Membership of their class the Exchange may in its discretion re-categorise their Membership to a class the criteria for which such Member is able to satisfy or, subject to Regulation 15.4, suspend their Membership until such time as such Member is able to satisfy the criteria, or may seek to expel the Member from Membership.

15.2 Upon the happening of any of the following events the Exchange may resolve, with immediate effect or with effect from such date as the Exchange may specify, that a Member be suspended from Membership, or, subject to Regulation 15.5, expelled from Membership:-

15.2.1 a Member pursuant to disciplinary proceedings held in accordance with these Regulations is found to have committed a serious breach or persistent breach of the Regulations and the Disciplinary Committee has suspended or expelled the Member subject to ratification by the Exchange, provided that the Disciplinary Committee's decision has been upheld by an Appeal Committee, or the time for lodging an appeal has elapsed and no appeal has been made;

15.2.2 a Member fails to meet their material contractual obligations to another Member and the obligation or the obligations concerned are not being disputed in good faith;

15.2.3 a Member is declared a Defaulter pursuant to the Default Regulations;

15.2.4 an Event of Default (as defined in the Default Regulations) occurs in relation to a Member (other than a Registered Intermediating Broker) and is continuing; or

15.2.5 in relation to a Registered Intermediating Broker, the Exchange becomes aware of any facts or circumstances that indicate that the Registered Intermediating Broker is not a reliable entity to arrange Agreed Trades on behalf of Clients and/or to discharge the obligations of Registered Intermediating Brokers under these Rules. Such facts of circumstances may include, without limitation, any evidence that the Registered Intermediating Broker has input into the Matching System particulars of any Agreed Trade(s) that it did not have the appropriate authorisations to broker (including from its purported Clients, or from any Clearing Member which would become party to any Contract upon Execution of such Agreed Trade); or

15.2.6 the category of membership to which the Member belongs is withdrawn by the Exchange, in which circumstances the Exchange shall give reasonable advance notice of such withdrawal and the Member shall be permitted to apply for a different category of Membership pursuant to Regulation 6 of Part 2.

15.3 The Exchange shall have the power to suspend or terminate a Member where it is considered necessary to ensure an orderly market, or otherwise to enable the Exchange to comply with its statutory obligations, or to facilitate the orderly withdrawal of a Membership category.

15.4 Save in the case of Regulation 15.2.1, the power to suspend a Member is subject to a right of appeal by the Member to an Appeal Committee convened pursuant to Regulation 14. The Appeal Committee shall, in such circumstance, have full jurisdiction to review the facts of the case as if it were a Disciplinary Committee. Any appeal shall be heard swiftly.

15.5 Save in the case of Regulation 15.2.1, where the Exchange believes expulsion is warranted, it shall request that an Appeal Committee be convened, pursuant to Regulation 14, to consider the case for expulsion. Such an Appeal Committee shall be convened swiftly. The Exchange may suspend the Member with immediate effect pending the outcome of the Appeal Committee so convened. The Appeal Committee shall, in such circumstance, have full jurisdiction to review the facts of the case as if it were a Disciplinary Committee. Where the Appeal Committee agrees that expulsion is justified, the Member shall be expelled with immediate effect.

16. FORFEITURE OF RIGHTS ON CESSATION OF MEMBERSHIP

16.1 A Member who shall have been expelled or shall otherwise have ceased to be a Member shall not be entitled to any refund of subscription or Fees, other than where such expulsion or cessation is necessary to facilitate the orderly withdrawal of a Membership category, in which case the Member shall be entitled to a pro-rata refund of any subscription or Fees.

16.2 All rights and privileges of being a Member issued to a Member or to a Member's directors or employees on their application and all rights appertaining thereto shall ipso facto be cancelled upon the Member's ceasing for any reason to be a Member or losing in any other way the right of entry to the Exchange.

17. DISPUTES BETWEEN MEMBERS

Upon the Secretary receiving a notice in writing from a Member that a dispute exists between that Member and another Member arising out of or in connection with a Contract, the Secretary shall send a Notice to Members to this effect. Such memorandum shall be removed by the Secretary when they receive notification in writing by the party or parties reporting the existence of such dispute that it has been settled or has been referred to arbitration in accordance with Part 8 of the Rules or otherwise disposed of.

18. INTELLECTUAL PROPERTY RIGHTS

18.1 As between the Members and the Company, all right, title, interest and Intellectual Property Rights in:-

(a) the Rules and Administrative Procedures; and

(b) LME Data;

shall be the property of the Company. To the extent a Member acquires any right, title, interest or Intellectual Property Rights in the same it hereby assigns all such right, title, interest and Intellectual Property Rights (including by way of a present assignment of any future copyright or similar rights) to the Company for the full duration of such right, title, interest and Intellectual Property Rights.

18.2 For the avoidance of doubt, the Company hereby expressly reserves any and all rights (including Intellectual Property Rights and any rights of confidentiality), licences and permissions in and to the LME Data, the Trade Marks and the Product Specifications.

18.3 Unless explicitly permitted in writing between the Member and the Company, the Member shall not:

(a) remove the Trade Marks from the LME Data or alter them (unless not practicable to display the Trade Marks and LME Data together);

(b) use the Trade Marks in conjunction with any other mark, name, logo, symbol or device;

(c) use the Trade Marks other than in relation to:

(i) Contracts; or

(ii) any contract to which the Financial OTC Booking Fee Policy applies, and in respect of which the Member shall report such contract to the Company in accordance with the Financial OTC Booking Fee Policy;

(d) use the Trade Marks in such a way as to damage the goodwill or reputation attaching to such Trade Marks or the name of the Company or to otherwise prejudice the validity or enforceability of any such Trade Marks;

(e) permit access to, distribute, sub-licence or publish the LME Data or Trade Marks to any third party;

(f) use the LME Data as a Benchmark or in connection with the determination of a Benchmark or pass the Data to an Administrator in connection with the determination of a Benchmark;

(g) manipulate the LME Data in any way and/or use the LME Data to create any Derived Data;

(h) use the LME Data or Trade Marks, or any part of them:

(i) in breach of these Rules or the Financial OTC Booking Fee Policy or other applicable laws or regulations;

(ii) for any unlawful purpose; or

(iii) in any way that may in the Company's absolute opinion be considered to bring the Company, its Affiliates, the LME Data and/or the Trade Marks into disrepute.

18.4 Each Member acknowledges and agrees that LME Data may be provided by the Company to any Member and any third party, and may be used by the Company or such other persons for any commercial or other purpose, subject to any restrictions applicable to particular categories of LME Data in Regulation 21 (Confidentiality). The Company may from time to time grant a licence to Members or third parties to use, copy, modify, distribute or otherwise exploit the LME Data, but, subject to Regulation 18.5 below, in the absence of such a licence, Members may not use, copy, modify, distribute or otherwise exploit the LME Data.

18.5 The Company hereby grants to each Member a non-exclusive, worldwide, perpetual, royalty-free licence, with the right to sub-licence, to use, copy, modify, distribute and otherwise exploit the LME Data relating solely to that Member for any commercial or other purpose, subject in each case to the restrictions in Regulation 21 (Confidentiality).

19. FINANCIAL OTC BOOKING FEE POLICY

19.1 Each Member shall comply with the Financial OTC Booking Fee Policy. Without prejudice to the generality of the foregoing, each Member shall:

(a) register with the Exchange, pursuant to the requirements of the Financial OTC Booking Fee Policy;

(b) report to the Exchange, any trades undertaken by the Member which are required to be reported pursuant to the Financial OTC Booking Fee Policy; and

(c) pay to the Exchange, any Fees due to the Exchange pursuant to the Financial OTC Booking Fee Policy in relation to trades undertaken by the Member.

19.2 Each Member shall procure and otherwise take steps to ensure that their Affiliates comply with the Financial OTC Booking Fee Policy. Where the Affiliate fails to comply with the Financial OTC Booking Fee Policy, whether: (a) registering with the Exchange; (b) reporting any trades undertaken by the Affiliate to the Exchange; or (c) paying to the Exchange, any fees due pursuant to the Financial OTC Booking Fee Policy; or (d) otherwise, the Member shall be liable to the Exchange for any non-compliance by Affiliate with the Financial OTC Booking Fee Policy.

19.3 Without prejudice to any additional rights of the Exchange under the Financial OTC Booking Fee Policy to require information from any Member or its Affiliate, each Member shall, and shall ensure that its Affiliates shall, within 5 Business Days of any request by the Exchange:

(a) permit the Exchange and its representatives to have access to any records and information maintained by the Member and/or its Affiliates (as the case may be) in respect of any transactions undertaken by the Member or its Affiliates for the purposes of assessing compliance with the Financial OTC Booking Fee Policy; and

(b) respond to any reasonable questions from the Exchange which are relevant to assessing the compliance by the Member and its Affiliates with the Financial OTC Booking Fee Policy.

19.4 For the avoidance of doubt, a Member or its Affiliate shall only be entitled to benefit from an exemption from compliance with any aspect of the Financial OTC Booking Fee Policy in the event that such exemption has been granted by the Exchange in accordance with the terms of the Financial OTC Booking Fee Policy.

20. RESTRICTIONS ON USE OF LME PROPERTY OR SYSTEMS FOR NON-EXCHANGE CONTRACTS

20.1 The facilities of the Exchange may not be used to facilitate the execution, clearing or settlement of any Non-LME Platform Contract. Without limitation to the foregoing:

(a) no Member may use any LME Data, Product Specifications or any other Intellectual Property Rights of the Exchange, or any part of them for the formation, trading, pricing, clearing or settlement of any Non-LME Platform Contract;

(b) no Warrant, Immobilised Warrant or Extracted Warrant may be used for the purpose of settling any Non-LME Platform Contract;

(c) the Ex-Cleared settlement functionality of LMEsword may not be used to facilitate the settlement of any Non-LME Platform Contract;

(d) no Member may use the inter-office market to facilitate the submission to the Matching System of any Non-LME Platform Contract as an Agreed Trade; and

(e) no Member may bring-onto, or allow its Client to bring-onto, the Exchange any Non-LME Platform Contract, including pursuant to the OTC Bring-On category within the Matching Rules, the submission to the Matching System of an Agreed Trade, or otherwise.

20.2 The Exchange may, in its absolute discretion, by Notice dis-apply any of the restrictions specified in this Regulation 20 in respect of Non-LME Platform Contracts traded on, executed on, or otherwise arranged or agreed via any specific Non-LME Multi Dealer Trading System. Such Notice:

(a) shall specify the identity of the specific Non-LME Multi Dealer Trading System that is approved by the Exchange as a venue for the formation of Agreed Trades that may be brought-onto the Exchange; and

(b) may specify the categories of Contracts to which such approval shall apply.

20.3 The Exchange shall issue a Notice pursuant to Regulation 20.2 above, publicising the situation where, as determined by the LME in its sole discretion and acting reasonably, any Non-LME Multi Dealer Trading System is lawfully making use of the Intellectual Property Rights of the Exchange, including, without limitation, where such Non-LME Multi Dealer Trading System has: (i) entered into a licence agreement for the use of Intellectual Property Rights belonging to the Exchange; or (ii) been granted open access rights pursuant to prevailing applicable legislation.

21. CONFIDENTIALITY

21.1 Subject to Regulation 21.2, the Company shall treat as confidential all information received from a Member that concerns the business and affairs of a Member or Client (including any information relating to any Contract).

21.2 The Company may disclose any information which is subject to the confidentiality obligations in Regulation 21.1:-

(a) to any regulator that has responsibility for regulating the Exchange or the Clearing House;

(b) to:

(i) any internationally recognised exchange;

(ii) an industry body for exchanges, or that otherwise has a role in derivative market surveillance; or

(iii) a member of such an industry body that has requested such information in accordance with the operating rules of such body governing the exchange of information between members in connection with market surveillance,

in each case, for the purposes of: (A) ensuring the effective surveillance of the Exchange's markets; and/or (B) aiding such exchange, industry body or requesting member with the effective surveillance of markets, when involved in monitoring such markets for market abuse;

(c) to any regulator that has responsibility for regulating the Member;

(d) to the Clearing House, to the extent that such information is relevant to the performance by the Clearing House of its functions under its own rules or terms of service, or its obligations under applicable law, or its contractual obligations to the Company;

(e) to the Member itself;

(f) where the Company acquires or develops the information independently of any information or document provided by the Member;

(g) to any member of the Company's group, or to any employees, officers, consultants, professional advisers or agents of any of them, in connection with the operation of the Exchange, risk management processes or for the purposes of internal group control or accounting, subject to appropriate confidentiality requirements;

(h) to any other Member for the purposes of a potential transfer of a Contract to such Member in accordance with the Rules;

(i) to third parties appointed or engaged by the Company or a Member in connection with the operation of the Company's complaint-handling or discipline processes, where and to the extent that such third parties reasonably need to receive such information in order to discharge their functions in support of such processes;

(j) with the consent of the Member;

(k) to potential acquirers (and their advisers) of the Company or an holding company of the Company or of the businesses of the Company, provided that each such potential acquirer has entered into a confidentiality undertaking with respect thereto;

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

(m) if and to the extent the information has come into the public domain through no fault of the Company;

(n) to the Company's insurer(s), provided that any such insurer has entered into a confidentiality undertaking with respect thereto;

(o) where necessary for the discharge of the Company's obligations under applicable law;

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

(q) where and to the extent that such disclosure is necessary or permitted pursuant to any other Regulation or Administrative Procedure, including for the avoidance of doubt, any Regulation permitting the Company to issue Notices in respect of a Member,

and for the avoidance of doubt, nothing in this Regulation 21 shall prevent the Company from providing LME Data to any third party in accordance with Regulation 18.4 above where and to the extent that any such LME Data that is provided to a third party in respect of a Member is anonymised and/or aggregated with LME Data in respect of other Members.

21.3 Subject to Regulation 21.4, each Member shall treat as confidential all information concerning the business and affairs of the Company.

21.4 A Member may disclose any information which is subject to the confidentiality obligations in Regulation 21.3:-

(a) to any regulator that has responsibility for regulating the Member where required to do so pursuant to any direction, rule or requirement of the regulator or by applicable law;

(b) to the Company itself;

(c) where the Member develops the information independently of any information or document provided by the Company;

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

(e) with the consent of the Company;

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

(g) where necessary for the discharge of the Member's obligations under applicable law; or

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

22. FEES & INCENTIVE PROGRAMMES

22.1 Members shall pay such Fees to the Exchange as the Exchange shall specify by Administrative Procedure and/or as specified in any invoice or reminder for payment issued by the Exchange, pursuant to any agreement between such Member and the Exchange from time to time.

22.2 The Exchange may, from time to time, make available to Members incentive, rebate or market-making programmes that shall operate to provide certain specified benefits and/or modify the Fees payable in respect of specified types of Contracts (each such programme being an "**Incentive Programme**").

22.3 The Exchange shall specify, by way of Notice issued on the public website maintained by the Exchange:

(a) the eligibility criteria to be satisfied by any Member and, where applicable, any Client of such Member wishing to participate in each Incentive Programme;

(b) any information and/or application documentation to be submitted to the Exchange by the Member in respect of itself and, where applicable, any Client of such Member wishing to participate in each Incentive Programme;

(c) the technical and operational procedures to be followed by any Member and, where applicable, any Client of such Member, in order to qualify for the benefits available under an Incentive Programme;

(d) any conditions, commitments, minimum transaction volumes, or requirements as to the types of transactions executed that are to be satisfied by any Member and, where applicable, any Client of such Member, in order to qualify for the benefits available under an Incentive Programme;

(e) any information reporting requirements or other obligations that must be complied with by any Member participating in an Incentive Programme;

(f) the specific benefits available under an Incentive Programme for any Member that complies with the requirements specified in accordance with (a) to (e) above; and

(g) any other information, descriptions, explanations or details that the Exchange considers relevant to the manner in which the Exchange intends to operate the Incentive Programme,

such criteria, procedures, conditions and requirements under (a) to (e) being the "**Incentive Programme Requirements**" and such benefits under (f) being the "**Incentive Programme Benefits**". The Exchange may, from time to time, amend, add to or replace any Incentive Programme Requirements and/or Incentive Programme Benefits applying to or under any Incentive Programme, and any other information published pursuant to (h), by updating or replacing the relevant Notice published on the public website of the Exchange.

22.4 Any Member wishing to participate in an Incentive Programme must satisfy the Incentive Programme Requirements for such Incentive Programme that may be specified by the Exchange, in accordance with Regulation 22.3 above, from time to time.

22.5 The Exchange may, in its absolute discretion:

(a) reject any request by a Member:

(1) to participate in any Incentive Programme; or

(2) to allow a Client to participate in any Incentive Programme; or

(3) to apply the Incentive Programme to the activities of any Client; or

(b) terminate the application of any Incentive Programme to any:

(1) Member; or

(2) Client, or to the activities of any Client, of a Member.

22.6 For the avoidance of doubt, the Incentive Programme Benefits available in respect of any Incentive Programme may include:

(a) the specification of a rebate to any Fees payable by a Member in respect of any specified type of Contract; or

(b) the specification of a reduction to any Fees payable by a Member in respect of any specified type of Contract; or

(c) the specification of any other form of monetary or non-monetary benefit that the Exchange may make available to a Member,

and any such Incentive Programme Benefit may be specified as being limited in duration, or applicable only to specific Contracts or Transactions that satisfy certain Incentive Programme Requirements.

22.7 Where any Incentive Programme makes the availability of Incentive Programme Benefits subject to any Incentive Programme Requirements applying to the trading activity of any Client of a Member, or the nature, identity or behaviour of any such Client:

(a) it shall be the responsibility of the Member to ensure that the relevant Incentive Programme Requirements are satisfied; and

(b) it shall be the sole responsibility of the Member to notify its Clients of its participation in the Incentive Programme, and the features of such Incentive Programme, together with the satisfaction of any other disclosure requirements that may be applicable under any relevant law or regulation or the terms of any agreement between the Member and any Client; and

(c) for the avoidance of doubt, the Exchange has no responsibility to any Client for ensuring that any of the Incentive Programme Benefits are made available by the Member to the relevant Client; any such arrangement shall be governed solely by the arrangements established between the Member and the Client.

For the avoidance of doubt, any reference in these Rules to any "participation" by a Client in any Incentive Programme does not create, imply or infer the creation of any contractual relationship between the Exchange and any Client in relation to such Incentive Programme, nor confer on any Client any entitlement to receive any benefits (including Incentive Programme Benefits) from the Exchange. If and to the extent that the Exchange provides an Incentive Programme that is intended to provide an entitlement for a Client to receive Incentive Programme Benefits, such entitlement shall be established pursuant to separate contractual documentation between the Exchange and the relevant Client that explicitly establishes the basis for such entitlement.

22.8 Any Clearing Member that participates in any Incentive Programme shall ensure that it shall not, and that any Client shall not, through its participation in the Incentive Programme:

(a) affect or distort the proper market in any Contract; or

(b) commit or permit the commission of any market abuse or any other breach of any applicable law or regulation applying to the Member, Client or the trading of any Contract; or

(c) enter into any Contract that is not compliant with any applicable Incentive Programme Requirements.

22.9 The Exchange may, at any time and from time to time, request from a Member such evidence as the Exchange may consider necessary or appropriate to determine the compliance by the Member, or any Client of the Member, with the Incentive Programme Requirements applicable to any Incentive Programme in which the Member or its Client is participating, and the Member shall, upon receipt of such request, promptly provide such evidence.

22.10 The Exchange may publish the names of any Member or Client participating in any Incentive Programme.

22.11 The Exchange may withdraw any Incentive Programme, together with any Incentive Programme Benefits available thereunder, at any time in its sole discretion. The withdrawal of any Incentive Programme shall not affect any Incentive Programme Benefits that have accrued to a Member prior to the time of such withdrawal.

22.12 Subject to Trading Regulation 21, a Member must not pursue, or permit any Client of the Member to pursue, a Market Making Strategy on the Exchange without first notifying the Exchange and entering into such agreements as the Exchange may specify, including any agreement required to satisfy any applicable legal or regulatory requirement. The Member must ensure that any activity it undertakes on the Exchange in pursuing a Market Making Strategy complies with the term of any such agreement, the Rules, including but not limited to the applicable requirements in Trading Regulation 21, and any relevant administrative procedure.

22.13 Regulation 22.12 above shall apply with effect from 3 January 2018.

23. RECORDING OF TELEPHONE CALLS

23.1 The Exchange may record:

(a) telephone calls between representatives of Members and the Exchange; and

(b) the telephone number from which representatives of Members call the Exchange, together with the time, date and content of the call,

and may maintain records relating to (a) and (b) above, in each case in accordance with the Exchange's policy on telephone recording from time to time and applicable law.

24. PERIODIC OTC POSITION REPORTING

24.1 Each Member shall provide to the Exchange, on a weekly basis (or such other frequency may be specified by the Exchange pursuant to Regulation 24.2):

(a) such information in respect of positions under over-the-counter contracts;

(b) in respect of such metal(s);

(c) at such times; and

(d) in such format,

as in each case shall be specified by Notice, and which in the opinion of the Exchange could be important for its monitoring and ongoing operation of a fair and orderly market. For the avoidance of doubt, such information may include information regarding the over-the-counter positions of the Member and/or its affiliates and/or its clients.

24.2 The Exchange may, in its discretion, by Notice and with such advance notice as is practicable in the circumstances:

(a) dis-apply the reporting requirement under Regulation 24.1 from any metal or, include any additional metal(s) to such reporting requirement; and/or

(b) modify the reporting thresholds for any metal; and/or

(c) modify the reporting format; and/or

(d) modify the reporting frequencies or timescales for submission of the information.

PART 3

TRADING REGULATIONS

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21 September 2026

PART 3: TRADING REGULATIONS

1. GENERAL

1.1 Members who wish to access any of the Exchange's systems must meet all prescribed connectivity requirements, as amended by the Exchange from time to time. Members must ensure that any connectivity solutions that are utilised have the appropriate degree of resiliency.

1.2 The Exchange may fix and from time to time alter the hours of opening and closing the Exchange, the hours for trading by open outcry in the Ring, the hours for trading on LME Select, and the hours of operation of the Matching System in respect of inter-office business.

1.3 The Exchange may, at its absolute discretion and acting reasonably temporarily halt or constrain trading on one or more of the Execution Venues for such period it considers necessary in the interests of maintaining a fair and orderly market. Trading will be resumed as soon as reasonably practicable following any such halt of an Execution Venue.

1.4 Members may:

(a) enter into Agreed Trades; or

(b) (in relation to Registered Intermediating Brokers) arrange Agreed Trades,

at any time on a Business Day notwithstanding that the Exchange may not be open at the time.

1.5 The Exchange may establish such arrangements as it considers appropriate to prevent disorderly trading and breaches of capacity limits including, without limitation, procedures to establish the maximum price fluctuations on the market for each Metal Contract, which may as a consequence lead to the restriction or suspension of business.

1.6 The making by a Trading Member of Contracts shall be subject to the Rules of the Exchange (of which the Trading Regulations form a part). Cleared Contracts shall in addition be subject to the Clearing House Rules.

1.7 Contracts may be written only by Trading Members and accordingly at least one party to every Contract must be such a Member. LME Base Contracts may be written only by Category 1, 2, 3 or 4 Members. LMEprecious Contracts may be written only by LMEprecious Members.

1.8 A Contract resulting from an Agreed Trade arranged by a Registered Intermediating Broker must have, as at least one party, a Trading Member, which shall be regarded as the party that has entered into such Contract.

1.9 All Contracts shall be governed by the Rules including:

(a) the Trading Regulations;

(b) the Contract Regulations;

(c) the Traded Options Regulations,

(d) the Monthly Average Future Regulations;

(e) the Special Rules for the relevant metal, LMEmini Contract, Cash-Settled Future or for the Construction of the Index;

(f) the Premium Contract Regulations;

(g) the LMEprecious Regulations; and

(h) (in respect of Cleared Contracts) the Clearing House Rules,

as effectively as if the same had been expressly inserted therein.

1.10 The Exchange may, in accordance with its applicable policies and procedures, and otherwise where, acting reasonably, it considers it necessary or appropriate to do so in order to maintain an orderly market:

(a) publish a price that it determines otherwise than in accordance with the applicable Pricing Methodology; or

(b) correct or amend any price published by the Exchange pursuant to these Trading Regulations,

and shall do so in accordance with its applicable policies and procedures.

1.11 The Exchange reserves the right, acting reasonably and in its absolute discretion, to suspend or revoke the access of a Dealer, Member Representative and/or a Member and, where applicable, its Clients, to any systems and facilities (including any successor systems or facilities) of the Exchange, as the Exchange deems necessary, including (without limitation) the Ring, LME Select, the Matching System and LMEsword.

2. PERMITTED CONTRACTS AND CONTRACT FORMATION

2.1 Permitted Contracts

2.1.1 Members, other than Registered Intermediating Brokers, may act only as principals. In all dealings with non-Members they shall comply with the provisions contained in the Rules which refer to relations with Clients and to dealings with Clients.

2.1.2 All dealing by Members in Metal Contracts, LMEmini Contracts, Index Contracts, Cash-Settled Futures, Monthly Average Futures, Premium Contracts and LMEprecious Contracts made subject to the Rules of the Exchange must be evidenced by:

(a) a Cleared Contract; and/or

(b) one or more Cleared Contracts and one or more Client Contracts,

and the details of the Agreed Trade that results in the formation of such Contract(s) must be input into the Matching System by the Member. This Regulation shall not impose on the Clearing House any obligation which is not imposed on it by the Clearing House Rules.

2.1.3 Subject to 2.1.3A below, any Contract, except Index Contracts, Cash-Settled Futures, LMEmini Contracts, Monthly Average Futures, Premium Contracts and LMEprecious Contracts, may be written with the price or premium payable in any one of the following currencies and no other: US dollar, euro, Japanese yen or sterling. Index Contracts, Cash-Settled Futures, LMEmini Contracts, Monthly Average Futures, Premium Contracts and

LMEprecious Contracts shall be written with the price or premium payable solely in US dollars.

2.1.3A Until further notice, Metal Options may only be written with the price or premium payable in US dollars. Such further notice may be given by way of a Notice or Administrative Procedure. References in Trading Regulation 8.3 and Trading Regulation 9.1.2 to non-USD Metal Options shall be subject to this Regulation 2.1.3A.

2.1.4 The Exchange shall determine the Contracts, Prompt Dates and time periods during which TAS or TAR transactions shall be permitted. Specific Contracts, Prompt Dates and spreads eligible for pricing as TAS or TAR transactions (where applicable) are set out on the LME website. The following shall govern TAS and TAR transactions:

(a) an order for a TAS or TAR transaction may be entered on LME Select at any time the applicable Contract is available for TAS or TAR trading (as applicable) on LME Select and during such eligible Contract's prescribed pre-open time period. The initiation of any TAS or TAR order on LME Select outside these time periods is prohibited; and

(b) unless otherwise specified by the Exchange, a TAS or TAR transaction may be executed on any given day at that day's Closing Price or relevant reference price (as applicable) or at the prescribed number of ticks above or below such Closing Price or relevant reference price (as applicable), as set out on the LME website.

2.2 **Contract Formation**

2.2.1 The basis on which Contracts shall be formed shall be as set out in this Trading Regulation 2.

2.2.2 Agreed Trades may be made:

(a) in the Ring; or

(b) in LME Select; or

(c) in the inter-office market,

(and each of (a), (b) and (c) shall be an "**Execution Venue**"), subject to any restrictions regarding the permissible trading venues for any type of Contract specified in these Rules.

2.2.3 An Agreed Trade shall constitute:

(a) the agreement of the terms of a transaction for the purpose of enabling Contracts to be formed between each Clearing Member that is:

(i) party to the Agreed Trade; or

(ii) responsible for the clearing of the Agreed Trade,

and the Clearing House, subject to and in accordance with the Acceptance Criteria of the Clearing House; or

(b) in the case only of a PTT Order, the agreement of the parties to Pre-Trade 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.

An Agreed Trade shall not itself constitute a binding contractual agreement between the parties to the Agreed Trade (whether as a Cleared Contract or otherwise) unless and to the extent otherwise specified in these Rules.

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) (except where (ii) below applies) a Contingent Agreement to Trade pursuant to which the Member(s) responsible for such Agreed Trade must submit the particulars of such Agreed Trade, comprising an IOM PTT Initiating Pair, to the Matching System (on the same basis as if such IOM PTT Initiating Pair were any other Agreed Trade, in accordance with Trading Regulation 2.10), in order to initiate a Fixed Price Auction pursuant to which such any PTT Orders may be made pre-trade transparent; or

(ii) where the Pre-Trade 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.

2.2.4 A Clearing Member shall be "**responsible for the clearing of an Agreed Trade**" where:

(a) one party to the Agreed Trade is a Client of the Clearing Member; and

(b) the Client and the Clearing Member have established arrangements for such Agreed Trade to be cleared by the Clearing Member.

2.2.5 An Agreed Trade shall result in the formation of one or more Contracts when it is Executed, in accordance with the applicable Rules governing Execution for the Execution Venue within which the Agreed Trade was agreed.

2.3 **Execution of trades in the Ring**

2.3.1 Where an Agreed Trade is made in the Ring and satisfies the Acceptance Criteria, the following shall apply.

(a) The time of such agreement between two Clearing Members shall be the Execution Time.

(b) At the Execution Time, Cleared Contracts shall be automatically and immediately formed between the Clearing House and each Member that is party to the Agreed Trade, subject to and in accordance with the Clearing House Rules.

2.4 **Execution of trades in LME Select**

2.4.1 Where an Agreed Trade is made in LME Select, the following shall apply.

(a) The Agreed Trade made in LME Select shall, provided that it satisfies the Acceptance Criteria, be Executed at the time that LME Select confirms that the Agreed Trade is matched and that all Pre-Execution Checks are satisfied (and such time shall be the Execution Time).

(b) At the Execution Time, Cleared Contracts shall be automatically and immediately formed between the Clearing House and each Member that is party to, or responsible for the clearing of, the Agreed Trade, subject to and in accordance with the Clearing House Rules.

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 obligations of the parties to the Contingent Agreement to Trade shall be as specified in Trading Regulation 2.10 below.

(c) Where a Fixed Price Auction is required, in accordance with Trading Regulation 2.15, such Agreed Trade shall not be capable of Execution unless such Fixed Price Auction has first been completed.

(d) Subject (where applicable to (c) above), the Agreed Trade shall, provided that it satisfies the Acceptance Criteria, be Executed at the time that the Matching System confirms that the Agreed Trade is matched and that all Pre-Execution Checks are satisfied (and such time shall be the Execution Time).

(e) At the Execution Time:

(i) Cleared Contracts shall be automatically and immediately formed between the Clearing House and each Member that is party to, or responsible for the clearing of, the Agreed Trade, subject to and in accordance with the Clearing House Rules; and

(ii) the Contingent Agreement to Trade shall be discharged.

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) 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.

(c) Each such Clearing Member shall promptly review such particulars, and record within the Matching System, within the timescales specified in Regulation 3.5 below, whether such Clearing Member approves the Agreed Trade.

(d) Where a Fixed Price Auction is required, in accordance with Trading Regulation 2.15, such Agreed Trade shall not be capable of Execution unless such Fixed Price Auction has first been completed. In such circumstances, the Registered Intermediating Broker shall be responsible for submitting the particulars of the PTT Orders to the Matching System RIB Screen pursuant to Regulation 2.15, in order to enable the Clearing Member(s) to approve the proposed Agreed Trade.

(e) Upon confirmation within the Matching System that both Clearing Members (or, where both Clients have appointed the same Clearing Member, the Clearing Member) have approved the proposed Agreed Trade:

(i) (where a Fixed Price Auction is required), the Matching System shall initiate a Fixed Price Auction in respect of the IOM PTT Initiating Pair; and/or

(ii) (where a Fixed Price Auction is either not required, or has completed with the determination of an Agreed Trade) then provided that such Agreed Trade satisfies the Acceptance Criteria, it shall be Executed at the time that the Matching System confirms that the Agreed Trade is matched and that all Pre-Execution Checks are satisfied (and such time shall be the Execution Time).

(f) At the Execution Time, Cleared Contracts shall be automatically and immediately formed between the Clearing House and each Clearing Member that is party to, or responsible for the clearing of, the Agreed Trade, subject to and in accordance with the Clearing House Rules.

2.5.3 A Registered Intermediating Broker may:

(a) arrange an Agreed Trade in the inter-office market where such Agreed Trade involves any PTT Order or would otherwise need to be made transparent pursuant to the Pre-Trade Transparency Requirements; and

(b) submit the IOM PTT Initiating Pair to the Matching System in respect of such Agreed Trade,

but shall not be involved in the submission of any other bids or offers to any Fixed Price Auction.

2.6 **Formation of Client Contracts**

2.6.1 Where an Agreed Trade is made between:

(a) a Clearing Member and its Client; or

(b) a Client of a Clearing Member and any other person, pursuant to an arrangement where the Clearing Member is to be responsible for the clearing of the Agreed Trade,

and upon Execution of the Agreed Trade, one or more Cleared Contracts are formed between the Clearing House and the Clearing Member, then a back-to-back Client Contract shall automatically and immediately come into effect between the Clearing Member and the Client having the same terms as the Cleared Contract and having the same direction as the Cleared Contract, such that:

(i) where the Member is the Buyer under the Cleared Contract, it shall be the Seller under the Client Contract; and

(ii) where the Member is the Seller under the Cleared Contract, it shall be the Buyer under the Client Contract.

2.6.2 Where the Client is a Category 4 Member or an LMEprecious Non-Clearing Member, and the Agreed Trade is made by the Category 4 Member or LMEprecious Non-Clearing Member with its own Client, then, in addition to the Client Contract formed pursuant to Regulation 2.6.1 above, an additional back-to-back Client Contract shall automatically and immediately come into effect between the Category 4 Member or LMEprecious Non-Clearing Member and its Client, having the same terms and direction as the Client Contract formed under Regulation 2.6.1, such that:

(a) where the Member is the Buyer under the Client Contract formed under Regulation 2.6.1, it shall be the Seller under the Client Contract formed under this Regulation 2.6.2; and

(b) where the Member is the Seller under the Client Contract formed under Regulation 2.6.1, it shall be the Buyer under the Client Contract formed under this Regulation 2.6.2.

2.6.3 A Client Contract shall be deemed to come into effect pursuant to this Regulation 2.6 where both parties to the Client Contract are Members.

2.6.4 Where any party to a Client Contract is not a Member, the back-to-back Client Contract shall come into effect pursuant to the terms of business between the Member and the Client. Any Member seeking to enter into Client Contracts with Clients that are not Members must ensure that its terms of business with such Clients contain provisions giving effect to this Regulation 2.6, and which provide that such Client Contracts shall incorporate and be subject to these Rules.

2.7 LME Select API

2.7.1 In the event that a Member makes available to a Client the order-routing facility of the LME Select API and due to any use by a Client of the order-routing facility of the LME Select API:

(a) one or more Cleared Contracts come into effect between the Clearing House and a Clearing Member; and

(b) one or more Client Contracts comes into effect between:

(i) the Clearing Member and the Client (in accordance with Regulation 2.6.1); and / or

(ii) the Clearing Member and a Category 4 Member or LMEprecious Non-Clearing Member (in accordance with Regulation 2.6.1); and / or

(iii) a Category 4 Member or LMEprecious Non-Clearing Member and its Client (in accordance with Regulation 2.6.2)

then:

(1) such Client Contract(s) shall be on the same commercial terms as the Cleared Contract, save that the price of the back-to-back Client Contract(s) may be marked-up or down to reflect a commission payable by the Client to the relevant Member, provided that such mark-up or mark-down to the price has been input into the Matching System prior to the Execution Time;

(2) when the particulars of the Agreed Trade are input into the Matching System, the Clearing Member that is to become party to the Client Contract must ensure that the particulars of the Agreed Trade that will result in the Client Contract are also input into the Matching System, including the identification of the accounts to which the resulting Cleared Contract(s) should be allocated and the identification of any details reflecting the arrangements specified in (1) above, in accordance with Administrative Procedures; and

(3) Members are reminded that a Metal Future or Premium Contract is a promise by one party to deliver metal to the other party on the specified Prompt Date and a promise by the other party to pay for that metal on the Prompt Date, and that the obligations to take and to deliver metal must remain open until such specified Prompt Date, subject to any provision of these Rules that specifies otherwise.

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);

(b) each Member that is to be party to a Cleared Contract upon Execution of the Agreed Trade is permitted to clear such Cleared Contract;

(c) any Member that is to be party to a Client Contract upon Execution of the Agreed Trade is permitted to issue such Client Contract;

(d) the transaction price or, in the case of a Traded Option, premium, is within an acceptable range, as specified by the Exchange from time to time;

(e) the Agreed Trade is within any parameters (with respect to the number of Lots and notional value) specified by the Member within the pre-trade risk management functionality within the Matching System and/or LME Select;

(f) 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;

(g) (in respect of Agreed Trades made in the inter-office market), the Clearing Member responsible for the Agreed Trade meets the Acceptance Criteria; and

(h) such other checks as the Exchange and/or the Clearing House may deem prudent or appropriate from time to time.

2.9 **Post-Execution Checks**

2.9.1 The Exchange and/or the Clearing House will conduct the checks specified in Trading Regulation 2.8.1(a) to (h) above following the Execution of an Agreed Trade made in the Ring.

2.9.2 The Exchange and/or the Clearing House will, following the Execution of an Agreed Trade made in LME Select, check that the Clearing Member responsible for the Agreed Trade has sufficient collateral with the Clearing House to cover the additional risk(s) represented by the Cleared Contract(s) resulting from the Execution of the Agreed Trade.

2.9.3 For the avoidance of doubt, where an Agreed Trade falling within Trading Regulations 2.9.1 or 2.9.2 above fails any of the checks specified therein, such failure shall not affect the validity of the Execution of the Agreed Trade or the Contracts that have come into effect upon such Execution.

2.10 **Contingent Agreement to Trade**

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

(a) where both parties to the Contingent Agreement to Trade are Members:

(i) the Contingent Agreement to Trade shall be deemed to come into effect at the time of agreement between the Members of the particulars of the Agreed Trade, and shall be subject to, and governed by, these Rules; and

(ii) the obligations of the parties to the Contingent Agreement to Trade shall be to submit the particulars of the Agreed Trade to the Matching System within the timescales specified in Regulation 3.5 below;

(b) where only one party to the Contingent Agreement to Trade is a Member, the Member shall:

(i) be responsible for submitting the particulars of the Agreed Trade into the Matching System in accordance with Regulation 2.10.1(a)(ii);

(ii) ensure that its terms of business with the other party (being a Client):

(1) specify that any Contingent Agreement to Trade shall come into effect pursuant to such terms of business, and shall incorporate and be subject to, these Rules; and

(2) oblige the other party to become bound to the Contingent Agreement to Trade on the basis that the other party's obligations shall be to become bound to, and perform, the Client Contract that shall come into effect in accordance with Regulation 2.6 upon Execution of the Agreed Trade.

2.10.2 A Member that is party to a Contingent Agreement to Trade must not submit the particulars of the Agreed Trade into the Matching System if such Member has been declared a Defaulter under these Rules.

2.10.3 In the event that a Member that is party to a Contingent Agreement to Trade fails to fulfil its obligations to submit the particulars of the Agreed Trade into the Matching System within the timescales specified in Regulation 3.5:

(a) the Member may be subject to disciplinary action for an act of misconduct in accordance with Membership Regulation 14;

(b) the Member shall be in breach of the Contingent Agreement to Trade and the Member acknowledges that it shall be liable to the other party to the Contingent Agreement to Trade for any loss suffered by such party as a consequence of such breach; and

(c) in the event that the Member becomes a Defaulter after entering into the Contingent Agreement to Trade, the Contingent Agreement to Trade shall automatically and immediately be terminated for all purposes, without prejudice to any liability that may have accrued pursuant to Regulation 2.10.3(b) above. For the avoidance of doubt, and in the absence of any specific agreement to the contrary, the references to "all purposes" above shall include the possible existence of any bilateral (OTC) contract.

2.10.4 Any dispute between the parties to a Contingent Agreement to Trade shall, unless resolved between the parties, be referred by either party to arbitration in accordance with the Arbitration Regulations.

2.10.5 For the avoidance of doubt, a Contingent Agreement to Trade shall not itself be a derivative contract for the purpose of EMIR or MiFID II, although the Cleared Contracts and any Client Contracts that arise pursuant to the Execution of the Agreed Trade to which the Contingent Agreement to Trade relates may be derivative contracts for such purposes.

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.

2.11.2 Where a Clearing Member accepts a give-up:

(a) such Clearing Member shall comply with such technical, procedural and timing requirements as may be specified in Administrative Procedures to facilitate the acceptance of the give-up; and

(b) the acceptance of the give-up shall, at the time that the Matching System confirms that the Agreed Trade represented by such acceptance satisfies the Acceptance Criteria and that all Pre-Execution Checks are satisfied (such time being the Execution Time), be deemed to result in the Execution of an Agreed Trade between the Clearing Member and the Client which shall result in the formation of a Client Contract between the Clearing Member and the Client, in accordance with Regulation 2.6 above.

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. 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).

2.12.4 Registered Intermediating Brokers may arrange Agreed Trades between persons who are either Members or non-Members, and each such person shall in these circumstances be a Client of the Registered Intermediating Broker.

2.12.5 In order to arrange an Agreed Trade between two Clients, a Registered Intermediating Broker must first:

(a) have established appropriate contractual arrangements with each Client addressing at least the following:

(i) the Registered Intermediating Broker must be authorised to act as the agent of such Client for the purposes of arranging Agreed Trades with other Clients of such Registered Intermediating Broker;

(ii) the Registered Intermediating Broker must be authorised to submit to the Matching System the particulars of any Agreed Trade, for and on behalf of such Client;

(iii) the Registered Intermediating Broker must maintain appropriate technical and operational arrangements with each of its Clients to ensure that details of Agreed Trades are accurately recorded, reflecting a matched transaction all relevant details of which have been agreed by each Client, and capable of being input into the Matching System in accordance with these Rules;

(iv) the basis on which the parties shall respectively be liable for any Agreed Trade that is input into the Matching System in error or that is inputted inaccurately;

(v) the basis on which the Registered Intermediating Broker may otherwise be liable to the Client in connection with its performance of services on such Client's behalf, and any limitations on such liability;

(b) have established that each Client has:

(i) appointed a Clearing Member that will be responsible for clearing the Contract(s) resulting from the Execution of such Agreed Trade on behalf of such Client, and identified such Clearing Member to the Registered Intermediating Broker;

(ii) established with such Clearing Member the scope of authority to be exercised by the Registered Intermediating Broker to arrange Agreed Trades on behalf of the Client and to submit such Agreed Trades to the Matching System for clearing by the Clearing Member, including:

(1) any requirements, restrictions or limitations imposed by the Client on the Agreed Trades that may be arranged by the Registered Intermediating Broker; and

(2) any requirements, restrictions or limitations imposed by the Clearing Member on the Agreed Trades that may be cleared for the Client,

(the "**RIB Scope of Authority**");

(iii) established appropriate arrangements with such Clearing Member to ensure that the Clearing Member will accept for clearing any Agreed Trades arranged by the Registered Intermediating Broker that fall within the RIB Scope of Authority;

(iv) communicated to the Registered Intermediating Broker the RIB Scope of Authority;

(v) where such Client is a Member, and the Execution of the Agreed Trade would result in the creation of one or more Client Contracts between such Member and its own Client (and, where relevant between such Client and any Indirect Clients), that there are appropriate contractual arrangements in place between each party in the chain of Client Contracts; and

(c) have established to which accounts of the Clearing Member at the Clearing House the Contracts resulting from the Execution of the Agreed Trade should be recorded.

2.12.6 A Registered Intermediating Broker must maintain appropriate systems and controls to ensure that its RIB Scope of Authority for each of its Clients are at all times (i) up-to-date within its own books and records; and (ii) notified to the relevant Clearing Member.

2.12.7 Without prejudice to the generality of Regulation 2.12.6 above, in the event that a Client of a Registered Intermediating Broker withdraws the authorisation of the Registered Intermediating Broker to arrange Agreed Trades on its behalf and/or to arrange the clearing of such Agreed Trades with any Clearing Member, such Registered Intermediating Broker must immediately notify the relevant Clearing Member.

2.12.8 In the event that a Registered Intermediating Broker inputs the particulars of an Agreed Trade into the Matching System and either:

(a) the Agreed Trade is not accepted within the Matching System by the Clearing Member within the timescale specified in Regulation 3.5; or

(b) the Clearing Member rejects the Agreed Trade,

then the Registered Intermediating Broker must promptly take reasonable steps to: (i) liaise with the Clearing Member and the relevant Clients; (ii) identify the cause of the rejection or delay of approval; and (iii) resolve the underlying issue.

2.12.9 Upon the resolution of the underlying issue pursuant to Regulation 2.12.8 above, the Registered Intermediating Broker must promptly re-submit the Agreed Trade to the Matching System through the Matching System RIB Screen. Such re-submission shall be effected within such timescales as are specified in Regulation 3.5, as if the time at which the underlying issue was resolved were treated as the time at which the particulars of the Agreed Trade were agreed.

2.13 **Use of Registered Intermediating Brokers: Requirements for Members**

2.13.1 Without prejudice to the obligations of the Registered Intermediating Broker under these Rules, a Member that uses a Registered Intermediating Broker shall retain responsibility for any Agreed Trades input into the Matching System by a Registered Intermediating Broker acting on such Member's behalf.

2.13.2 Where a Member uses a Registered Intermediating Broker to arrange any Agreed Trade that will, upon Execution, result in the creation of one or more Client Contracts (as specified in Regulation 2.12.5(b)(v) above), such Member must, prior to allowing such Registered Intermediating Broker to arrange any such Agreed Trade, provide to the Registered Intermediating Broker a list of the Clients and Indirect Clients of the Member in respect of which the Registered Intermediating Broker may arrange such Client Contracts. The Member must ensure that the Registered Intermediating Broker is at all times in receipt of an accurate and up-to-date list. The Member must provide such list to the Exchange promptly upon request.

2.13.3 A Clearing Member that agrees with any Client to permit a Registered Intermediating Broker to arrange Agreed Trades for such Client that may, upon Execution, be cleared by such Clearing Member, must:

(a) maintain appropriate systems and controls to ensure that such Clearing Member is at all times able to confirm the RIB Scope of Authority prescribing the scope of permitted activity that such Registered Intermediating Broker may undertake for such Client; and

(b) upon receipt of an instruction from such Client indicating that such Registered Intermediating Broker is no longer to be authorised to arrange Agreed Trades on its behalf, or to clear such trades through the Clearing Member, promptly take such steps as are prudent and reasonable to ensure that no further Agreed Trades in respect of such Client that are submitted to the Clearing Member for approval by such Registered Intermediating Broker shall be approved.

2.13.4 A Clearing Member may reject an Agreed Trade input into the Matching System by a Registered Intermediating Broker where such Agreed Trade breaches the RIB Scope of Authority (including any limits agreed between the Clearing Member and a relevant Client).

2.13.5 In the event that a Registered Intermediating Broker inputs incorrect data into the Matching System in respect of an Agreed Trade and such error is identified prior to the Execution of the Agreed Trade:

(a) the Registered Intermediary Broker must, upon identifying the error, immediately notify the Clearing Member;

(b) the Clearing Member must not allow an Agreed Trade, in respect of which it has received notification of an error pursuant to (a), to proceed to Execution unless and

until the error has been resolved and correct information input into the Matching System;

(c) following receipt of such notification by the Clearing Member, the Clearing Member and the Registered Intermediating Broker must co-operate in good faith to promptly resolve the error and ensure that the correct data is input into the Matching System prior to the Execution of the Agreed Trade; and

(d) in the event that the error is not capable of being corrected within the timescale for approval or rejection of the Agreed Trade pursuant to Regulation 3.5.1(c)(iii), the Clearing Member must reject the Agreed Trade;

(e) where an Agreed Trade is to be cleared by more than one Clearing Member and an error relating to an Agreed Trade relates to, or affects, the details of the Agreed Trade that is to be approved by both Clearing Members, both Clearing Members must co-operate with the Registered Intermediating Broker and with each other to resolve the error and ensure that the correct information in respect of the Agreed Trade is input into the Matching System.

2.13.6 In the event that a Registered Intermediating Broker inputs incorrect data into the Matching System in respect of an Agreed Trade and such error is not identified prior to the Execution of the Agreed Trade, any liability for losses resulting to the Client and/or the Clearing Member as a consequence of such error shall be determined by the contractual terms between the Client, the Registered Intermediating Broker and, if applicable, the Clearing Member and shall not be prescribed by these Rules.

2.14 Delta Hedging of Option Contracts by Registered Intermediating Brokers

2.14.1 The Matching System provides functionality to enable RIB Tier 2 Members to arrange Agreed Trades in RIB Tier 1 Products that are Futures and/or Monthly Average Futures, subject to complying with the restrictions set out in this Regulation 2.14, and notwithstanding that the RIB Tier 2 Member does not otherwise have authority under these Rules to arrange Agreed Trades in RIB Tier 1 Products.

2.14.2 RIB Tier 2 Members may use the functionality described in this Regulation 2.14 in order to arrange Agreed Trades in RIB Tier 1 Products only where such arrangements comprise part of the same "strategy" in relation to which the RIB Tier 2 Member has arranged Agreed Trades in one or more Traded Option Contracts. The purpose of such strategy must be limited to hedging the initial delta risk arising from the Traded Option Contract(s). An arrangement of the kind described in this Regulation 2.14.2 shall be referred to as a "Delta Hedged Strategy". Delta Hedged Strategies may comprise one or more Agreed Trades in Traded Option Contracts and the relevant RIB Tier 1 Products, but all of the Agreed Trades comprising a Delta Hedged Strategy must be submitted to the Matching System simultaneously.

2.14.3 Where a RIB Tier 2 Member arranges a Delta Hedged Strategy, any RIB Tier 1 Product comprising, or forming part of, such Delta Hedged Strategies shall be deemed to be a RIB Tier 2 Product in respect of which the RIB Tier 2 Member is permitted to arrange Agreed Trades, provided that:

(a) all of the relevant Agreed Trades comprise part of the same Delta Hedged Strategy;

(b) all Agreed Trades in RIB Tier 1 Products that comprise, or form part of, the Delta Hedged Strategy must be arranged solely for the purpose of hedging the delta risks

arising from, or associated with, the Agreed Trades arranged in the Traded Option Contracts;

(c) the counterparties to any Agreed Trade in the RIB Tier 2 Products that forms part of the Delta Hedged Strategy must also be the counterparties to the Agreed Trade(s) in the RIB Tier 1 Product(s) that comprise, or form part of, Delta Hedged Strategy;

(d) the number of Lots of the relevant RIB Tier 1 Products must be consistent with the delta risk exposure within the Delta Hedge for the related RIB Tier 2 Product that is a Traded Options Contract.

2.14.4 In the event that a RIB Tier 2 Member arranges any Agreed Trade in a RIB Tier 1 Product otherwise than pursuant to a legitimate Delta Hedged Strategy, or in breach of the requirements specified in Regulation 2.14.2 and 2.14.3 above, such circumstance shall be an act of misconduct by the RIB Tier 2 Member for the purposes of Regulation 14 of the Membership Regulations, and may result in disciplinary action against the Member by the Exchange. In such circumstances, the disciplinary action available to the Disciplinary Committee may include, in addition to the penalties set out in Membership Regulation 14.30, the suspension of the RIB's access to the Matching System RIB Screen, or the suspension of access of any one or more individuals acting for, or on behalf of, the RIB, who the Exchange determines was involved in the act of misconduct. Any such suspension shall be for such period as the Exchange may determine.

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.

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.

Out of Scope Orders

2.15.3 The Exchange shall, from time to time, specify in the Matching Rules and/or Notices the transaction types for which an order for a trade shall comprise an Out of Scope Order.

PTT Exempt Orders

2.15.4 The Exchange shall specify in Administrative Procedures the PTT Waivers in force from time to time, and the circumstances in which an Inter-Office Order shall fall within a PTT Waiver. The Exchange shall amend such Administrative Procedures in the event that any PTT Waiver is withdrawn or otherwise ceases to be applicable to exempt any types of Inter-Office Order from the Pre-Trade Transparency Requirements. The Matching System shall determine whether an Agreed Trade submitted the Matching System comprises one or more Inter-Office Orders that is subject to a PTT Waiver.

2.15.5 An Inter-Office Order shall fall within the "**PTT Hedging Exemption**" where:

(a) the resulting trade is to discharge an order from a "non-financial counterparty" within the meaning of Article 2(9) of EMIR; and

(b) such trade is objectively measurable as reducing risks directly relating to the commercial activity or treasury financing activity of the non-financial counterparty.

A Member seeking to rely on the PTT Hedging Exemption shall be responsible for determining whether the Inter-Office Order satisfies the requirements set out in (a) and (b) above and for ensuring that the Agreed Trade is identified as involving an Inter-Office Order that is subject to the PTT Hedging Exemption when the particulars of the Agreed Trade are submitted to the Matching System.

Pre-Trade Communications

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 communications or request for a quote, pursuant to (a) or (b) above, being a "**Pre-Trade Communications**"), then such Member shall not, in the course of such Pre-Trade 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 In the event that a Member agrees to initiate a Fixed Price Auction:

(a) except where the Member is a Registered Intermediary Broker, a Contingent Agreement to Trade shall arise for the purpose of determining the particulars of the proposed transaction that shall be submitted to the Matching System, such that:

(i) in the circumstances described in Trading Regulation 2.15.6(a) above, the Member shall input its own PTT Order into the Matching System in accordance with its obligations under the resulting Contingent Agreement to Trade; or

(ii) in the circumstances described in Trading Regulation 2.15.6(b) above, the Member shall input two PTT Orders into the Matching System (representing both sides to an Agreed Trade that would be required to effect a Cross), in

accordance with its obligations under the resulting Contingent Agreement to Trade; or

(b) where the Member is a Registered Intermediary Broker (in the circumstances described in Trading Regulation 2.15.6(c) above), the RIB shall input two matching PTT Orders into the Matching System RIB Screen, subject that such PTT Orders shall not be treated as an IOM PTT Initiating Pair for the purposes of initiating a Fixed Price Auction until the Clearing Member nominated by each Client has reviewed the particulars and approved the proposed Agreed Trade in accordance with Trading Regulation 2.5.2(c). Upon the approval of the proposed Agreed Trade by such Clearing Member(s), the PTT Orders shall be treated as received by the Matching System and shall be capable of comprising an IOM PTT Initiating Pair for the purposes of Trading Regulation 2.15.8 below.

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.

(a) Following confirmation by the Matching System that it is in receipt of an IOM PTT Initiating Pair, the Exchange shall publish details that a public auction is to take effect and specifying:

(i) the time of commencement of such Fixed Price Auction; and

(ii) the quantity (number of lots) represented by the IOM PTT Initiating Pair; and

(iii) the parameters within which such auction shall be conducted, which must include:

(1) the type of Contract to which the IOM PTT Initiating Pair relates;

(2) the underlying metal, Precious Metal, Index or Cash Settled Future Index of the IOM PTT Initiating Pair; and

(3) the transaction price (or, in the case of a Traded Option, the premium) and Prompt Date (or, in the case of a Traded Option, the maturity and Strike Price),

(such parameters being the "**Fixed Parameters**").

(b) The Fixed Price Auction shall remain in effect during such period as the Exchange may specify by Notice within which a Fixed Price Auction may take effect, following the time of its commencement (such period being the “Auction Window”).

(c) During the Fixed Price Auction:

(i) any Member (other than a RIB) with access to the Matching System may submit to the Matching System bids or offers for Contracts, at the Fixed Parameters, and for such quantity as such Member may determine, and including all relevant particulars that the Member would be required to

submit in the event that the Member were submitting an Agreed Trade in respect of such Fixed Parameters;

(ii) In the case of:

(1) an IOM PTT Initiating Pair resulting from Pre-Trade 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 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,

and for the avoidance of doubt, the withdrawal of one or both sides of the IOM PTT Initiating Pair shall not prevent the continuation of the Fixed Price Auction and/or the agreement of Agreed Trades as a consequence of the submission by Members of bids and offers to such Fixed Price Auction, in accordance with Regulation 2.15.8(d) below; and

(iii) any Member that has submitted a bid or offer pursuant to (i) above may withdraw its bid or offer from the Matching System prior to the expiry of the Auction Window.

(d) Upon the completion of the Fixed Price Auction the bids and offers received into the Matching System during the Fixed Price Auction, and remaining within the Matching System at the expiry of the Auction Window, shall be matched on a time priority basis (by reference to the time entered into the Matching System), such that:

(i) in the event that both sides of the IOM PTT Initiating Pair remain in the Matching System, such IOM PTT Initiating Pair shall comprise an Agreed Trade and provided that such Agreed Trade satisfies the requirements of Trading Regulation 2.5.1(d), such Agreed Trade shall be Executed in accordance with Trading Regulation 2.5.1;

(ii) in the event that either side of the IOM PTT Initiating Pair has been removed during the Fixed Price Auction:

(1) subject to (iv) below, any remaining side of such IOM PTT Initiating Pair shall be matched with a corresponding matching bid or offer submitted to the Fixed Price Auction, that is first in priority to any other matching bid or offer submitted to the Fixed Price Auction, resulting in an Agreed Trade; and

(2) provided that the resulting Agreed Trade satisfies the requirements of the Trading Regulation 2.5.1(d), such Agreed Trade shall be Executed in accordance with Trading Regulation 2.5.1;

(iii) each other matching pair of bids and offers received during the Fixed Price Auction, matched on the basis of a time priority, shall comprise an Agreed Trade and:

(1) provided that such Agreed Trade satisfies the requirements of the Trading Regulation 2.5.1(d), such Agreed Trade shall be Executed in accordance with Trading Regulation 2.5.1; and

(2) such Execution shall occur within the Matching System without any requirement for the parties to the Agreed Trade to re submit the particulars of the Agreed Trade to the Matching System;

(iv) matching pursuant to (ii) or (iii) shall be determined on the basis of the Fixed Parameters, and shall not be dependent on a matching of bids and offers having the same quantity, such that:

(1) (in the case of matching pursuant to (ii)) the remaining side of the IOM PTT Initiating Pair may be matched with a bid or offer of a different quantity; and

(2) in the case of a matching of bids and offers having differing quantities, the resulting Agreed Trade shall be for a quantity equal to the smaller side of the matching pair.

(e) For the avoidance of doubt, where any Agreed Trade arises from a bid or offer submitted, by a Member, to the Matching System pursuant to a Fixed Price Auction:

(i) such Agreed Trade shall be treated as having been made in the inter-office market for the purpose of these Rules; and

(ii) the requirement for a Contingent Agreement to Trade shall be deemed to have been discharged at the point that the Member submitted its bid or offer to the Matching System, on the basis that all information that a Member would be required to submit pursuant to a Contingent Agreement to Trade should already have been submitted by such Member upon submitting its bid to the Fixed Price Auction in accordance with Trading Regulation 2.15.8(c)(i).

2.15.9 **Records**

A Member must ensure that, in addition to its other record-keeping obligations under these Rules (including Trading Regulation 3.7), it complies with the record-keeping requirements set out below.

(a) Each Member that seeks to rely upon the PTT Hedging Exemption in respect of any Inter-Office Order must maintain a record of the basis on which the Member has determined whether the order would fall within the scope of the PTT Hedging Exemption.

(b) The Member must provide to the Exchange, on request, any records maintained by the Member in accordance with (a) above.

2.15.10 **Administrative Procedures**

(a) The Exchange shall specify in Administrative Procedures the PTT Waivers applicable to trades made on the Exchange from time to time.

(b) Each Member shall consult with, and comply with, Administrative Procedures where and to the extent that such Administrative Procedures specify:

(i) how the requirements of this Regulation 2.15 shall be applied to specific transaction arrangements;

(ii) how the PTT Waivers and/or the PTT Hedging Exemption shall be applied to specific transaction arrangements; and

(iii) any additional operational requirements for trades falling within this Regulation 2.15 or otherwise to facilitate compliance with the MiFID II requirements on pre-trade transparency.

2.16 Restrictions on Transactions

2.16.1 The Exchange may prohibit certain types of transaction by Notice where such transactions would result in Cleared Contracts, which the Exchange, in consultation with the Clearing House, considers would be detrimental to the operation of the Clearing House's risk management processes. Such types of transaction may include (but are not limited to) transactions with another Clearing Member, the sole or primary purpose of which is to reduce the level of the Initial Margin on Cleared Contracts in an omnibus segregated client account at the Clearing House.

2.16.2 Upon the occurrence of an Event of Default and/or an event of default under the Clearing House Rules in relation to a Member (notwithstanding that a default may not have been declared by the Exchange and/or the Clearing House), the Exchange may, by notice to the relevant defaulting Member, prohibit transactions that would result in increased risk either to the Clearing House or of disorderly market conditions arising.

3. THE MATCHING SYSTEM AND RECORDING OF TRADES

3.1 Responsibility for Trade Input

3.1.1 Each Trading Member shall be responsible for the input into the Matching System of all Agreed Trades by them in relation to Contracts. Where a Registered Intermediating Broker arranges an Agreed Trade for a Trading Member, the Trading Member may permit the Registered Intermediating Broker to input the Agreed Trade into the Matching System on its behalf, but the Trading Member shall remain responsible, for the input of such Agreed Trade into the Matching System.

3.1.2 In all other circumstances where an Agreed Trade is arranged by a Registered Intermediating Broker, the Registered Intermediating Broker shall be responsible for the input into the Matching System of all Agreed Trades arranged by them in relation to Contracts.

3.1.3 For the purpose of input of Agreed Trades, Trading Members and Registered Intermediating Brokers shall install and maintain within their offices such electronic data input and capture systems as may be required and approved by the Exchange for the purpose of using the Matching System. They shall ensure the operational capability of such systems at all times and operate the same in accordance with any terms as may be prescribed by the Exchange.

3.2 **Form for Recording of Trades**

3.2.1 Agreed Trades made in the Ring shall be recorded as they are agreed on such form as may be approved by the Exchange, and shall also be input into the Matching System.

3.2.2 All other Agreed Trades made by Trading Members shall be recorded on Trading Members' own recording documentation and shall also be input into the Matching System.

3.2.3 All Agreed Trades arranged by Registered Intermediating Brokers shall be recorded on such Registered Intermediating Brokers' own recording documentation and shall also be inputted into the Matching System, subject to, and following the approval of such Agreed Trade by the Clearing Members that will be responsible for clearing such Agreed Trade.

3.2.4 All Agreed Trades required to be input into the Matching System shall be input in such form and within such time as may be prescribed by the Exchange from time to time.

3.3 **Identification of Clearing House Accounts**

3.3.1 Each Clearing Member must, in respect of each Agreed Trade that it inputs, or allows to be input by a RIB, to the Matching System specify to which account at the Clearing House the resulting Cleared Contracts should be allocated. It is the sole responsibility of the Clearing Member to ensure that any Cleared Contract that is to be allocated to a "client account" (whether it is an "omnibus" client account, an "individually segregated" client account or an "indirect" client account) is so allocated through the input of the relevant information into the Matching System. Where an Agreed Trade is:

(a) entered into by a Category 4 Member or an LMEprecious Non-Clearing Member; or

(b) arranged by a Registered Intermediating Broker on behalf of a Client that has appointed the Clearing Member to clear the Contracts resulting from the Execution of the Agreed Trade,

such Member and the Clearing Member that is responsible for clearing the Agreed Trade shall comply with the Administrative Procedures with respect to the requirements for identifying the account(s) at the Clearing House to which the resulting Cleared Contracts should be allocated.

3.3.2 Members shall comply with any requirements specified by the Clearing House and any requirements under applicable law (including EMIR) regarding the identification and allocation of Cleared Contracts to accounts at the Clearing House.

3.3.3 Where:

(a) an Agreed Trade relates to an LME Base Contract:

(i) an Agreed Trade between two Clearing Members shall be allocated to each Clearing Member's house account at the Clearing House;

(ii) an Agreed Trade between a Client and the Clearing Member responsible for clearing the Agreed Trade shall result in the allocation of Cleared Contracts to both:

(1) the Clearing Member's house account; and

(2) the Clearing Member's appropriate client account at the Clearing House;

(iii) an Agreed Trade between a Client and any other person shall result in the allocation of Cleared Contracts to both:

(1) the house account of the Clearing Member responsible for clearing the Agreed Trade; and

(2) the client account of the Clearing Member responsible for clearing the Agreed Trade;

(b) an Agreed Trade relates to an LMEprecious Contract:

(i) an Agreed Trade that is a proprietary trade of an LMEprecious Clearing Member shall be allocated to the house account of the LMEprecious Clearing Member at the Clearing House; and

(ii) an Agreed Trade made by a Member, and for which an LMEprecious General Clearing Member is responsible for clearing such Agreed Trade may be allocated to a house account of the LMEprecious General Clearing Member (where the Agreed Trade is a proprietary trade of the LMEprecious General Clearing Member falling within (i) above) or a client account of the LMEprecious General Clearing Member (in any other circumstance).

3.3.4 In the event that a Cleared Contract is allocated by the Clearing House to an administrative account due to any determination by the Clearing House that the details of the Agreed Trade submitted by a Member have incorrectly identified the account at the Clearing House to which the Cleared Contract should be allocated, the Member must, within the Opening Hours on the Business Day following the agreement of the Agreed Trade, submit corrected instructions to LME Clear, specifying the correct account to which the Cleared Contract should be allocated.

3.4 **Matching**

3.4.1 For the purpose of matching Agreed Trades the Exchange shall divide each Business Day into "Matching Periods". The Administrative Procedures shall specify the application of the Matching Periods.

3.4.2 Any dispute or difference between Trading Members as to matching of any Agreed Trade or alleged Agreed Trade may be referred to arbitration in accordance with the Rules of the Exchange by either such Trading Member.

3.5 **Deadlines**

3.5.1 Each Member responsible for the input of an Agreed Trade and all relevant particulars of the Agreed Trade into the Matching System (and, in (c) below, any Member responsible for approving an Agreed Trade) must do so within the following timescales:

(a) where the Agreed Trade is made in LME Select, at the time of the input of the order for the Agreed Trade in LME Select;

(b) where the Agreed Trade is made in the inter-office market (and has not been arranged by a Registered Intermediating Broker):

(i) (except where (ii) below applies) within 10 minutes of the Contingent Agreement to Trade in respect of the Agreed Trade having been agreed; or

(ii) where the Contingent Agreement to Trade in respect of the Agreed Trade is agreed:

(1) during the last 10 minutes of the Opening Hours of the Matching System; or

(2) outside the Opening Hours of the Matching System,

within such timeframe as is specified by the Exchange from time to time; and

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

(i) (except where (ii) below applies) the Registered Intermediating Broker must input the particulars of the Agreed Trade into the Matching System for approval by the Clearing Members within 10 minutes of the particulars of the Agreed Trade having been agreed;

(ii) where the particulars of the Agreed Trade are agreed:

(1) during the last 10 minutes of the Opening Hours of the Matching System; or

(2) outside the Opening Hours of the Matching System; and

(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 Communications that would, subject to the subsequent approval of the Clearing Member(s), constitute an IOM PTT Initiating Pair,

the Registered Intermediating Broker must input the particulars of the Agreed Trade into the Matching System through the Matching System RIB Trade Entry Screen for approval by the Clearing Members within such timeframe as is specified by the Exchange from time to time; and

(iv) the Clearing Member must approve or reject such Agreed Trade within the Matching System, within 10 minutes of the input of such particulars into the Matching System; and

(d) where the Agreed Trade is made in the Ring, within 10 minutes of the close of the Ring trading-period in which the Agreed Trade was Executed.

Any failure by a Member to comply with this Regulation 3.5 shall be an act of misconduct for the purposes of Regulation 14 of the Membership Regulations, and may result in disciplinary action against the Member by the Exchange.

3.5.2 Where an Agreed Trade is made in the inter-office market and its particulars are not entered into the Matching System:

(a) (except where (b) or (c) below applies) by the close of the Opening Hours for the Business Day on which (as applicable):

(i) the Contingent Agreement to Trade in respect of the Agreed Trade has been agreed; or

(ii) the particulars of an Agreed Trade arranged by a Registered Intermediating Broker have been agreed; or

(b) where the Contingent Agreement to Trade in respect of the Agreed Trade is agreed outside the Opening Hours, by the next following close of the Opening Hours; or

(c) where the particulars of an Agreed Trade arranged by a Registered Intermediating Broker are agreed outside the Opening Hours, by the next following close of the Opening Hours,

the Matching System will not accept the Agreed Trade.

3.6 **Presentation of Particulars**

3.6.1 Only Agreed Trades which have been agreed in accordance with these Rules, and which satisfy the Acceptance Criteria of the Clearing House, may give rise to Contracts.

3.6.2 Particulars of an Agreed Trade presented to the Clearing House by the Matching System shall be deemed to be presented by the Clearing Members in whose names it is presented and accordingly, under the Clearing House Rules, presentation of the particulars by the Matching System shall constitute confirmation of the Agreed Trade by those Clearing Members.

3.6.3 Upon such presentation of particulars the Clearing House shall, subject as provided in the Clearing House Rules, send to each Clearing Member in whose name they are confirmed a member-registration statement showing the date and other particulars of each accepted Agreed Trade and the resulting Cleared Contract or a summary thereof. If the Clearing House does not accept an Agreed Trade particulars of which have been presented to it, it shall notify the contracting parties within a reasonable time. This provision is without prejudice to, and subject to, the rights and obligations of the Clearing House under the Clearing House Rules.

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;

(b) whether the Member has bought or sold or, in the case of a Traded Option, granted or taken;

(c) the metal or Precious Metal or Index or Cash-Settled Future Index;

(d) whether the Contract is an LMEmini Contract;

(e) Prompt Date (if applicable) and, in the case of a Traded Option, maturity, Strike Price, and whether the Traded Option is a put or a call,

(f) whether the Contract is a Monthly Average Future and, if so (i) the tradeable month which is to be used to calculate the Monthly Average Settlement Price; and (ii) the fixed price agreed between the buyer and the seller in the Contract;

(g) whether the Contract is a Premium Contract;

(h) in relation to any Premium Contract:

(i) the Premium Warrant Jurisdiction; and

(i) the Premium Contract Price; and

(ii) any other details specified in the Premium Contract Regulations;

(iii) whether the Contract is an LMEprecious Contract;

(j) quantity;

(k) transaction price or, in the case of a Traded Option, premium; and

(l) date and time of transaction; and

(m) in relation to any Cleared Contract, the account of the Clearing House to which the Cleared Contract has been allocated by the Clearing Member, which may include for the avoidance of doubt, the Clearing Member's "house" or "proprietary" account, or a relevant "client" account, being either segregated on an "omnibus" basis or an "individual" basis with respect to the Clearing Member's Clients and, where relevant, Indirect Clients of the Clearing Member.

Registered Intermediating Brokers shall keep records of all Agreed Trades that they have arranged, in such form as the Exchange may approve, and such records shall include the following details:-

(i) the names of the parties to the Agreed Trade (including whether such parties are Members);

(ii) the identities of the Clearing Member(s) that are responsible for clearing the Contracts resulting from Execution of the Agreed Trade; and

(iii) the details specified in paragraphs (b) to (m) above (subject that where any such paragraph refers to a Member, the RIB shall record the details relating to each counterparty to the Agreed Trade).

3.7.2 The time of a transaction effected by open outcry in the Ring shall be recorded by denoting the Ring-trading period in which the transaction is effected, using the appropriate abbreviation from below, as detailed further in the Matching Rules:-

"R1" for the first Ring of the first session;

"R2" for the second Ring of the first session;

"K1" for the ensuing kerb;

"R3" for the Ring of the second session;

"K2" for the ensuing kerb.

3.8 **Post-Compression Contracts**

3.8.1 For the avoidance of doubt, nothing in this Regulation 3 shall require a Post-Compression Client Contract to be separately input into the Matching System as a consequence of its creation pursuant to Compression. The input of the original trade that gave rise to the Contract that was subject to Compression is sufficient to ensure that such trade (and any Contracts and Post-Compression Contracts resulting therefrom) is recorded in the Matching System.

3.9 **Pre-Requisites to Contract Formation**

3.9.1 Upon entry into the Matching System of the particulars of any Agreed Trade, each Member that is party to the Agreed Trade (or, in the case of a Registered Intermediating Broker, that has inputted the particulars of the Agreed Trade into the Matching System) must:

(a) specify the Clearing Member that is responsible for the clearing of the Agreed Trade for such Member;

(b) specify the relevant account of such Clearing Member at the Clearing House to which the Cleared Contract(s) that will result from the Execution of the Agreed Trade must be allocated;

(c) have ensured that such Clearing Member has agreed to clear the Agreed Trade and to the allocation of the Cleared Contract(s) in accordance with (b) above;

(d) have ensured that such Agreed Trade is not agreed or entered into the Matching System unless any prior requirements specified by the Clearing House in accordance with the Clearing House Rules have been satisfied;

(e) where any Client is to be party to any Client Contract to be formed pursuant to these Rules upon Execution of the Agreed Trade, and such Client is not a Member, have agreed terms of business with such Client providing for:

(i) the agreement of such Client that the formation and performance of such Client Contract shall be subject to and in accordance with these Rules, as if such Rules were incorporated into such terms of business; and

(ii) where any such Agreed Trade is made in the inter-office market, the formation of a Contingent Agreement to Trade between the Member and the Client, having the terms described in Trading Regulation 2.10 above.

3.9.2 Each Member must have in place systems and controls to ensure that, before it enters into an Agreed Trade:

(a) where the Member is a Clearing Member, it can; or

(b) where the Member is not a Clearing Member, its Clearing Member can

at all times comply with any requirements imposed by, and systems operated by, the Exchange or the Clearing House regarding the verification that the Clearing Member has sufficient collateral.

3.10 **Corrections**

3.10.1 In the event that the Matching System determines that an Agreed Trade made in LME Select or the inter-office market has failed to satisfy any Pre-Execution Checks on the basis of the checks (any such failed check being a "**Failed Check**") applied to any Member that is party to the Agreed Trade or that would be party to any Cleared Contract resulting from the Execution of such Agreed Trade, the Member shall comply with the requirements of the Administrative Procedures regarding the correction of such Failed Checks.

3.10.2 Where, as a consequence of a Member having submitted incorrect information to the Matching System in respect of an Agreed Trade, the resulting Cleared Contract(s) are allocated by the Clearing House to the incorrect account of the Clearing Member, the Member must promptly submit corrected information to the Matching System.

3.11 **Failure to Input Ring Trade**

3.11.1 In the event that:

(a) a Member has Executed an Agreed Trade in the Ring;

(b) the Member subsequently becomes a Defaulter; and

(c) prior to becoming a Defaulter, the Member has failed to input the particulars of the Agreed Trade into the Matching System, or has input particulars that are incorrect in any respect,

then the Exchange may, where it has evidence of the particulars of the Agreed Trade, input such particulars into the matching system on behalf of the Member in order to ensure that such particulars are recorded within the systems of the Exchange and the Clearing House, and to enable the Clearing House to identify the Cleared Contract(s) that have come into effect from the Execution Time. The Exchange may use such information as it has available to it to determine the relevant particulars, including any information available from recordings of the dealings in the Ring.

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); and/or

(b) where Agreed Trades representing multiple buy or multiple sell transactions (being transactions in the same direction) have their Prompt Date adjusted to another date in accordance with the Rules.

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.

3.13 **Administrative Procedures**

3.13.1 Administrative Procedures shall apply to determine how Members shall effect certain trading operations using the facilities of the Exchange. The Administrative Procedures containing the "Matching Rules" shall be supplemental to these Trading Regulations.

3.13.2 In the event of any conflict between these Rules and the Administrative Procedures, these Rules shall prevail.

4. PRICE INFORMATION

4.1 For the purpose of disseminating information as to prices at any time during business hours of any Business Day:-

4.1.1.1 the Exchange shall, during Ring and kerb trading, input current prices for all types of contract traded in the Ring to the Exchange's price-reporting system;

4.1.1.2 the Exchange shall, during LME Select trading hours, input the current best bid and best offer prices shown on LME Select and the aggregated volumes for each, together with the price and volume of each trade transacted, to the Exchange's price-reporting system;

4.2 Representatives of the Exchange shall be in attendance during Ring and kerb trading on each Business Day for the purpose of maintaining a record of trends in prices bid, offered and traded for all Contracts and, in respect of Carries, of price spreads.

4.3 Members shall not supply the aforementioned pricing-information in the form of a video- or data-feed directly or indirectly to any financial information service provider other than the Exchange or any of its authorised agents without prior written consent of the Exchange.

5. SETTLEMENT PRICES AND OTHER OFFICIAL PRICES

Official Prices and official Settlement Prices – Metal Futures and Premium Contracts

5.1 The Quotations Committee shall determine Official Prices and official Settlement Prices for each Metal Future and Premium Contract, for the Prompt Dates set out in Regulation 5.2 below, as applicable. The Official Prices and official Settlement Prices shall be determined in accordance with the applicable Pricing Methodology. The Official Prices and official Settlement Prices shall be determined in the Major Currency of each relevant metal, and published via the Exchange's usual market data feeds. The Official Prices and the official Settlement Prices shall, promptly following their determination, be provided by the Exchange to the Clearing House.

5.2 Official Prices and official Settlement Prices shall be determined for the Prompt Dates set out below:

For all Metal Futures:-

(a) Cash and three months for all metals for which there is a morning Ring session;

(b) fifteen months forward in the case of Steel Billet, Cobalt, Molybdenum and Tin;

(c) the third Wednesday in December of the following calendar year in the case of Aluminium Alloy and North American Special Aluminium Alloy; and

(d) the third Wednesday in December of each of the following three calendar years in the case of all other metals,

For Premium Contracts:-

(e) the third Wednesday in the first, fourth and fifteenth months forward for each type of Premium Contract.

5.3 If the second succeeding Business Day is a Prompt Date, the Official Prices as determined under Regulation 5.1 above shall be the Settlement Prices for the relevant Metal Future or relevant Premium Contract (as applicable) for that Prompt Date.

Electronic determination of Official Prices and official Settlement Prices

5.4 At any time on or following the occurrence of a Ring Price Liquidity Event, the Exchange may determine that the Official Prices and official Settlement Prices for any or all Metal Futures and/or Premium Contracts shall be determined using any Pricing Methodology that the Exchange considers appropriate to facilitate the orderly determination of such prices (an "**Electronic Pricing Commencement Determination**"). Irrespective of whether the Ring Price Liquidity Event affects one or more Metal Futures or Premium Contracts, and/or one or more Prompt Dates, the Exchange shall have full discretion to determine whether an Electronic Pricing Commencement Determination may be made in respect of:

(a) one or more, or all, Metal Futures and/or Premium Contracts; and/or

(b) one or more, or all, Prompt Dates set out in Regulation 5.2

and whether to make one or more Electronic Pricing Commencement Determinations in respect of different Metal Futures, Premium Contract and/or Prompt Dates at different dates.

In the event that the Exchange makes an Electronic Pricing Commencement Determination, the Exchange shall specify, by Notice:

(i) that LME Select shall be used as the primary means by which to determine the Official Prices and official Settlement Prices for the Contracts and Prompt Dates specified in the Notice, and that trading activity in the Ring shall no longer be used to determine such prices;

(ii) the Pricing Methodology that shall be used to determine such Official Prices and official Settlement Prices; and

(iii) the date(s) from which such changes shall take effect.

The Exchange may make an Electronic Pricing Commencement Determination at any time on or following the occurrence of a Ring Price Liquidity Event. For the avoidance of doubt, in the event that a Ring Price Liquidity Event ceases to persist at any time after an Electronic Pricing Commencement Determination, the Exchange shall be under no expectation or obligation to reverse or otherwise revoke such determination.

5.5A When making any Electronic Pricing Commencement Determination under Regulation 5.5:

(a) the Exchange shall have regard to its regulatory obligations to maintain orderly markets and to ensure the robustness and integrity of its prices; and

(b) the Exchange may consult on any changes to the Pricing Methodology, where required in accordance with its regulatory obligations, subject that the Exchange shall not be required to consult on the re-introduction of any Pricing Methodology that has previously been used by the Exchange to determine any such Official Price or official Settlement Price including where such Pricing Methodology has been utilised solely for business continuity purposes.

Index Settlement Price

5.5 After the close of the afternoon Ring-trading session on the Prompt Date of each Index Contract, the Quotations Committee shall determine and publish the level of the Index based upon the Closing Prices of the Constituent Metals determined and published for that day in accordance with Regulation 6.1 of these Trading Regulations. The level of the Index so determined shall immediately be reported by the Company to the Clearing House and shall be the Settlement Price for the Index for such Index Contracts and for Cleared Contracts that have come into effect pursuant to the registration of Index Contracts by the Clearing House.

5.6 **Settlement Prices for Cash-Settled Futures and LMEprecious Futures and Closing Prices for Specified Metals**

Cash-Settled Futures

5.6.1 Each Cash-Settled Futures Daily Settlement Price shall be calculated in accordance with the applicable Pricing Methodology.

5.6.2 Each Cash-Settled Futures Final Settlement Price shall be determined with reference to the corresponding Cash-Settled Future Index.

5.6.3 Errors in the Cash-Settled Future Index

Unless specified otherwise in the relevant Special Contract Rules for Cash-Settled Futures the following shall apply:

(a) If, not later than 30 minutes after the Cash-Settled Futures Final Settlement Price has been published by the Exchange, any Member of the Exchange notifies the Exchange of, or it otherwise comes to the attention of the Exchange that there is an alleged or apparent error in the Cash-Settled Future Index, then the Exchange shall promptly request the index provider investigate such alleged or apparent error. If in the index provider's opinion an error has been made, the index provider shall correct any Cash-Settled Future Index value affected thereby and the Exchange shall as soon as reasonably practicable publish a correction to the Cash-Settled Futures Final Settlement Price, as required.

(b) No correction to the Cash-Settled Future Index shall be made other than may be allowed for in Regulation 5.7.3(a).

(c) Without prejudice to the generality of Regulation 19 (*Liability*) of these Trading Regulations, neither the Exchange nor its officers, employees, agents or representatives shall have any liability whatsoever in respect of any decision as to whether or not to correct the Cash-Settled Future Index, or as to whether or not to re-determine the Cash-Settled Futures Final Settlement Price.

LMEprecious Futures

5.6.4 The LMEprecious Daily Settlement Price and LMEprecious Final Settlement Price shall be determined in accordance with such methodology as the Exchange may specify by way of Notice from time to time, with:

(a) the Clearing House having ownership, and overall responsibility for the determination, of the LMEprecious Daily Settlement Price and the LMEprecious Final Settlement Price; and

(b) the Exchange, as the delegate of the Clearing House, having day-to-day responsibility for the determination of such Settlement Prices on a delegated basis.

5.7 **The Daily Settlement Price for Metal Options, Traded Average Price Options, Index Options and LMEprecious Options**

5.7.1 The daily Settlement Price for Metal Options, Traded Average Price Options, Index Options and LMEprecious Options shall be determined in accordance with such methodology as the Exchange may specify by way of Notice from time to time, with:

(a) the Clearing House having ownership, and overall responsibility for the determination, of the daily Settlement Price for Metal Options, Traded Average Price Options, Index Options and LMEprecious Options; and

(b) the Exchange, as the delegate of the Clearing House, having day-to-day responsibility for the determination of such daily Settlement Price on a delegated basis.

5.7.2 For Traded Average Price Options the Exchange shall input to the screen information service and display thereon the daily Settlement Price, Moving Monthly Average Settlement Price and Monthly Average Settlement Price for the relevant metal during the relevant tradeable month according to the currency in which the Traded Average Price Option is denominated.

5.7.3 For the purpose of enabling the Clearing House to determine Metal Option, Traded Average Price Option, Index Option and LMEprecious Option daily Settlement Prices pursuant to the Clearing House Rules, the Exchange shall, on each Business Day, use such options valuation methodology as may be agreed between the Exchange and the Clearing House from time to time for the purposes of valuations. Such methodology shall be set out by Notice. Without prejudice to the generality of the foregoing, the Exchange may determine the volatilities prevailing in the Market at such time as may be prescribed by Notice, for the Strike Price nearest the Closing Price and for such other Strike Prices as may be required by the Exchange in agreement with the Clearing House, of the relevant Metal Option, Traded Average Price Option, Index Option and LMEprecious Option Contract and each relevant month in which the relevant Metal Option, Traded Average Price Option, Index Option and LMEprecious Option is traded, and communicate the above to the Clearing House by the time specified by Notice. The determination of the Closing Prices will take into account mandatory submissions from Members, voluntary submissions from Members and/or Clients, trading activity throughout the day, and/or any such other input data, including data from third party providers, as the Exchange may consider appropriate from time to time. For the avoidance of doubt, the Exchange shall be acting as the delegate of the Clearing House when making any determination or exercising any discretion pursuant to this Regulation 5.7.3.

5.7.4 If a Member is active in a particular Metal Option, Traded Average Price Option, Index Option and/or LMEprecious Option at any particular time as determined by the Exchange, it shall be obliged to submit closing volatilities to the Exchange (in consultation, where appropriate, with

the Clearing House), for the purpose of the Clearing House valuations if requested by the Exchange, unless the Exchange expressly states in its request that such contribution would be voluntary. The Exchange may specify by Notice that any Member that is active in LMEprecious Options must submit closing volatilities to the Exchange. If a Member fails to comply with such a request or requirement, or provides inaccurate or unreflective submissions, such Member may be subject to Exchange disciplinary procedures.

5.7.5 If a Client (who is not also a Member) is active in a particular Metal Option, Traded Average Price Option, Index Option and/or LMEprecious Option at any particular time, such Client may choose to submit closing volatilities to the Exchange on a daily basis for the purpose of the Clearing House valuations. The Exchange (in consultation with the Clearing House) will have absolute discretion to stop using voluntary submissions from any particular Client if they are deemed to be inaccurate or unreflective of volatilities prevailing in the market. Neither Clients nor Members shall be liable for any inaccurate or unreflective submissions made under this Regulation 5.7.5. For the avoidance of doubt, the Exchange shall be acting as the delegate of the Clearing House when making any determination or exercising any discretion pursuant to this Regulation 5.7.5.

5.7.6 For the avoidance of doubt, the daily Settlement Price for Metal Options and for LMEprecious Options may be used for the purpose of margin calculations for these Contracts, but shall not be the price by reference to which these contracts shall be exercised or abandoned on the Expiry Day (which price shall be the Settlement Price comprising the Exercise Reference Price, as determined in accordance with the Metal Options Regulations, or the LMEprecious Option Regulations, as applicable).

6. CLOSING PRICES AND MARGIN

6.1 On each Business Day, the Quotations Committee shall determine, in accordance with the applicable Pricing Methodology:

(a) Closing Prices in the Major Currency for each Metal Future for each Prompt Date;

(b) Closing Prices in the Major Currency for each expiry month for each Metal Option;

(c) the Premium Contract Closing Prices for each Prompt Date;

(d) the Monthly Average Future Closing Price; and

(e) the Index Futures Closing Price for each month forward.

Such prices shall be determined after such time on each Business Day as shall be specified by the Exchange by Notice or on the LME website from time to time.

The Exchange shall contemporaneously publish these prices and shall communicate them to the Clearing House within a reasonable time after determination of the prices. The Quotations Committee shall, at the same time, advise the Clearing House of such quoted values of Metal Contracts and Premium Contracts for such other Prompt Dates as may be necessary to enable current prices for all Prompt Dates to be calculated.

For the purposes of Initial and Variation Margin, Carries shall comprise two or more separately identifiable Contracts each with a different Prompt Date.

6.2 Where any documentation issued by the Exchange in relation to Metal Options refers to the "Closing Price" of such Contract(s), such reference shall be construed to mean the Metal Options Daily Settlement Price. Where any documentation issued by the Exchange in relation to LMEprecious Futures refers to the "Closing Price" of such Contract(s), such reference shall be construed to mean the LMEprecious Daily Settlement Price.

6.3 The Exchange may, subject to consultation where appropriate in the circumstances, determine that the methodology and/or source of data to be used for determining the Closing Prices of any Metal Future or Premium Contract (and in respect of any Prompt Date of any Metal Future or Premium Contract) shall be changed, either on a time-limited or on a permanent basis. In the event that the Exchange proposes to make such a change, the Exchange shall, by Notice, provide Members with advance prior notice of the change and the basis on which such Closing Prices shall be determined. The Exchange shall provide such notice as it considers reasonable in the context of the proposed change and any operational impact on Members and the wider population of users of the Closing Prices.

7. PAYMENT SYSTEM

Every Clearing Member shall make such arrangements as may be requisite for their participation in the payment system administered by the Clearing House.

8. PROMPT DATES

8.1 Metal Futures may have any of the following Prompt Dates (but subject, where relevant, to sub-paragraph 8.2 and 8.4 of this Regulation):-

(a) Cash Today;

(b) Cash;

(c) each other day forward from Cash to the day which is three months forward from the date upon which the Contract is made (the "three-months date");

(d) each Wednesday falling after the three-months date until and including the last Wednesday in the sixth calendar month after the calendar month in which the Contract is made;

(e) each third Wednesday in each calendar month from and including the seventh calendar month to and including the fifteenth calendar month in the case of Contracts for Cobalt, Molybdenum, Steel Billet and Tin, or the twenty-seventh month in the case of Contracts for Aluminium Alloy and North American Special Aluminium Alloy, or the sixty-third month in the case of Lead, Primary Nickel and Special High Grade Zinc, or the one hundred and twenty-third month in the case of High Grade Primary Aluminium and Copper – Grade A, after the calendar month in which the Contract is made; or

(f) the second Business Day of each calendar month from and including the fourth calendar month to and including:

(i) the twenty fourth calendar month after the calendar month in which the Contract is made, in the case of Contracts for Aluminium Alloy, North American Special Aluminium Alloy, High Grade Primary Aluminium, Copper – Grade A, Primary Nickel and Special High Grade Zinc; or

(ii) the fifteenth calendar month after the calendar month in which the Contract is made, in the case of Lead and Tin.

8.2 Index Contracts may have as their Prompt Dates (but subject, where relevant, to sub-paragraph 8.4 of these Trading Regulations) the second Wednesday in each permitted expiry month.

8.3 No Metal Contract in which the price is denominated in a currency other than sterling, US dollars or euro may be made for Cash Today or with a Prompt Date, or Expiry Day (as applicable), falling on a day which the Exchange shall have declared to be a day on which commercial banks in the principal financial centre for the currency concerned will not be open for the transaction of foreign exchange business. No Metal Option Contract may be made which, on exercise, would result in a Futures Contract with such a Prompt Date.

8.4 Exceptions

8.4.1 Except in relation to Monthly Average Futures, if any Prompt Date would fall on a day which is not a Settlement Business Day it shall instead fall on the next succeeding day which is a Settlement Business Day except:-

(a) if the Prompt Date would fall on a Saturday and the preceding Friday is a Settlement Business Day;

(b) if the Prompt Date would fall on Good Friday;

(c) if the Prompt Date would fall on Christmas Day (and Christmas Day is on a Tuesday, Wednesday, Thursday or Friday); or

(d) if the Prompt Date would fall on any other day which the Exchange has specially declared is not a Business Day.

In the case of (a), (b) and (c) above, the Prompt Date shall instead fall on the preceding Settlement Business Day. In the case of (d) above the Prompt Date shall instead fall on such day as the Exchange in its absolute discretion shall determine.

8.4.2 If any Prompt Date falling within Trading Regulation 8.1(c) would, in spite of or by reason of the provisions of Trading Regulation 8.4, fall in the fourth calendar month after the calendar month in which the contract was made, it shall instead fall on the last Settlement Business Day in the third such calendar month.

8.4.3 Any person appointed by the Exchange to do so shall be empowered, by way of Administrative Procedure given on such notice as is reasonably practicable:

(a) to declare that a particular date shall not be a Prompt Date (or, where a particular date is not a Prompt Date, that such date shall be a Prompt Date), for the purposes of facilitating the migration to an alternative Clearing House or for any other reason. In such cases, where trading has already taken place for a Prompt Date which is subsequently declared not to be a Prompt Date, or where the Prompt Date remains a Prompt Date but would result in settlement falling on a day that is not a Settlement Business Day, then any open positions will be rolled to the next available Prompt Date or such other date as the Exchange may determine in its absolute discretion; and/or

(b) to direct for the same purposes as in paragraph (a) above that Member(s) shall enter into a Carry, with the effect that settlement of a Contract is to take place on the

Business Day next following the Prompt Date, or on another particular date that is not the Prompt Date.

8.5 LMEmini Futures may have the following Prompt Dates:

(a) if, in any calendar month, the Contract is made on or before the LMEmini Last Trading Time for that calendar month, that Contract may have a Prompt Date on the third Wednesday of that calendar month and on the third Wednesday of each calendar month thereafter for eleven months, subject, where relevant, to Trading Regulation 8.4; or

(b) if, in any calendar month, the Contract is made after the LMEmini Last Trading Time for that calendar month, that Contract may have a Prompt Date on the third Wednesday of the next eleven calendar months thereafter, subject, where relevant, to Trading Regulation 8.4.

8.6 Monthly Average Futures may have the following Prompt Dates:

(a) two Business Days following the last Business Day in the tradeable month which is to be used to calculate the Monthly Average Settlement Price; or

(b) where (a) is not a Settlement Business Day, the next Business Day which is a Settlement Business Day.

8.7 Cash-Settled Futures Contracts may have the Prompt Dates specified in the relevant Special Contract Rules for Cash-Settled Futures.

8.8 Premium Contracts may have the following Prompt Dates:

(a) if, in any calendar month, the Contract is made on or before the Premium Contract Last Trading Time for that calendar month, that Contract may have a Prompt Date on the third Wednesday of that calendar month and on the third Wednesday of each calendar month thereafter for fifteen months, subject, where relevant, to Trading Regulation 8.4; or

(b) if, in any calendar month, the Contract is made after the Premium Contract Last Trading Time for that calendar month, that Contract may have a Prompt Date on the third Wednesday of the next fifteen calendar months thereafter, subject, where relevant, to Trading Regulation 8.4.

8.9 LMEprecious Futures may have the Prompt Dates specified in the LMEprecious Future Regulations.

8.10 LMEprecious Options may have the Prompt Dates specified in the LMEprecious Option Regulations.

8.11 Except as otherwise provided in these Trading Regulations, the Contract Regulations, the Traded Options Regulations and the Default Regulations each Contract shall be settled on its Prompt Date and, except as aforesaid, Metal Contracts and Premium Contracts shall not be settled earlier notwithstanding that an offsetting Contract for the same tonnage and Prompt Date may have been made. For the avoidance of doubt, this Trading Regulation 8.11 is subject to, and shall be construed in accordance with Regulation 4.4 of the Contract Regulations.

8.12 This Trading Regulation 8 is subject to Regulation 3.4.3 of the Default Regulations.

9. SETTLEMENT OF CONTRACTS

9.1 Cleared Contracts - General:

9.1.1 In Trading Regulations 9.1 to 9.4, references to "Cleared Contracts", "Cleared Metal Futures", "Cleared LMEmini Contracts", "Cleared Index Futures", "Index Options", "Monthly Average Futures", "Cleared Monthly Average Futures", "Cleared Cash-Settled Futures", "Cleared Premium Contracts", "Cleared LMEprecious Options" and "Cleared LMEprecious Futures" shall be construed to include any Cleared Contract that arises pursuant to the Clearing House Rules upon the Execution of any Agreed Trade pursuant to these Rules and the Clearing House Rules.

9.1.2 Settlement of all Cleared Metal Futures whether by offset or by delivery and settlement of differences shall be made on the relevant Prompt Date by reference to the Settlement Price determined for that Prompt Date in the currency of the relevant Cleared Metal Contract. Where the currency of the Cleared Metal Contract is not the Major Currency of the relevant metal, settlement shall be made by reference to the Settlement Price translated into the currency of the Cleared Metal Contract at the rate determined by the Company. Settlement of accrued rent and weight differences shall be made by reference to the Settlement Price applicable for that Prompt Date and in the Major Currency of the contract concerned.

9.1.3 Settlement of all Cleared LMEmini Contracts shall be made in cash on the relevant Prompt Date by reference to the Settlement Price determined for that Prompt Date for the relevant underlying metal, provided that only the difference between the Settlement Price of the underlying metal on the Prompt Date and the price of the underlying metal agreed in the Contract shall be payable by or to the buyer or seller, as the case may be, multiplied by the Contract size.

9.1.4 In addition to their settlement on the Prompt Date, all Cleared LMEmini Contracts shall be subject to settlement to market in accordance with the Clearing House Rules.

9.1.5 Settlement of all Cleared Index Futures shall be made in cash on the Settlement Business Day following the Prompt Date. Settlement shall be made by reference to the Settlement Price of the Index, determined as provided in Trading Regulation 5.6, provided that only the difference between the Settlement Price of the Index and the Contract price shall be payable by or to the buyer or seller, as the case may be, multiplied by the Contract size.

9.1.6 In addition to their settlement on the Settlement Business Day following the Prompt Date, all Cleared Index Futures shall be subject to settlement to market in accordance with the Clearing House Rules.

9.1.7 Settlement of Index Options exercised in accordance with the Index Options Regulations shall be made in cash on the Settlement Business Day following the Prompt Date. The Granter shall pay to the Taker an amount in cash equal to the difference between the Settlement Price of the Index and the Strike Price multiplied by the Contract size.

9.1.8 Settlement of all Monthly Average Futures shall be made in cash on the relevant Prompt Date. Settlement shall be made by reference to the Monthly Average Settlement Price for the relevant tradeable month for the relevant underlying metal, provided that only the difference between the Monthly Average Settlement Price for the relevant tradeable month for the relevant underlying metal and the fixed price agreed by the buyer and seller in the relevant

Contract shall be payable by or to the buyer or seller, as the case may be, multiplied by the Contract Size.

9.1.9 In addition to their settlement on the Prompt Date, all Cleared Monthly Average Futures shall be subject to daily marking to market in accordance with the Clearing House Rules.

9.1.10 Settlement of all Cleared Cash-Settled Futures shall be made in cash on the relevant Settlement Business Day specified in the Special Contract Rules for Cash-Settled Futures. Settlement shall be made by reference to the Cash-Settled Futures Final Settlement Price, determined in accordance with the process specified in the relevant Special Contract Rules for Cash-Settled Futures.

9.1.11 In addition to their settlement on the relevant Settlement Business Day specified in the Special Contract Rules for Cash-Settled Futures, all Cleared Cash-Settled Futures shall be subject to daily settlement to market in accordance with the Clearing House Rules.

9.1.12 Cleared Cash-Settled Futures shall settle in accordance with the relevant Special Contract Rules for Cash-Settled Futures.

9.1.13 Cleared Premium Contracts shall settle in accordance with the Premium Contract Regulations.

9.1.14 Settlement of Cleared LMEprecious Options exercised in accordance with the LMEprecious Option Regulations shall be made on the Prompt Date by the coming into effect of an LMEprecious Future, in accordance with the LMEprecious Option Regulations and the Clearing House Rules.

9.1A **Cleared LMEprecious Futures – Settlement by Delivery**

9.1A.1 Settlement of all Cleared LMEprecious Futures shall be made by delivery of the relevant Lots of Precious Metal on the relevant Prompt Date in exchange for payment in US Dollars, calculated by reference to the LMEprecious Final Settlement Price determined for that Prompt Date and in accordance with the Clearing House Rules.

9.1A.2 In addition to their settlement on the Prompt Date, all Cleared LMEprecious Futures shall be subject to daily settlement to market in accordance with the Clearing House Rules.

9.1A.3 If a Clearing Member fails duly to deliver any amount of Precious Metal due to be delivered to the Clearing House:

(a) the Clearing House may take such action as may be specified under the Clearing House Rules;

(b) such failure shall constitute an act of misconduct for the purposes of Regulation 14 of the Membership Regulations; and

(c) notwithstanding any application of the disciplinary process in Regulation 14 of the Membership Regulations, the Exchange shall co-ordinate with the Clearing House to determine the level of any fine or other penalty to be levied on the Clearing Member and the basis on which such fine or penalty may be imposed. For the avoidance of doubt, any failure by the Exchange to levy a fine or other penalty on the Clearing Member in respect of any failure to deliver Precious Metal shall not prevent the Clearing House from levying any fine or other penalty on the Clearing Member in accordance with the Clearing House Rules (and vice versa).

9.2 **Cleared Metal Contracts - Settlement of Differences:**

Differences shall be established on the relevant Prompt Date, in respect of all Cleared Metal Contracts, between the contract price and the Settlement Price determined for that Prompt Date. The Clearing House shall account to Clearing Members for differences thus established by placing the same to their credit or debit as the case may require in accordance with the Clearing House Rules.

9.3 **Cleared Metal Contracts - Closing by Offset:**

Bought and sold Cleared Metal Contracts of a Clearing Member for the same metal and Prompt Date and in the same currency shall, to the extent that they match each other, be closed on their Prompt Date by offsetting.

9.4 **Cleared Metal Contracts - Settlement by Delivery:**

9.4.1 The net Lots covered by Cleared Metal Contracts remaining following offset under Trading Regulation 9.3 shall be settled on their Prompt Date by payment subject to the Clearing House Rules.

9.4.2 The Clearing House shall raise invoices or credit notes for the contract weight of the net Lots covered by such Cleared Metal Contracts at the Settlement Price and in the currency of the relevant Cleared Metal Contract and shall deliver the same to the relevant Clearing Members. Such invoices and credit notes shall be for the contract weight without allowance for storage rent accrued and differences between contract weight and Warrant weight.

9.4.3 Payments and receipts in respect of the invoices and credit notes raised by the Clearing House under Trading Regulation 9.4.2 shall be effected through the payment system or, in the case of payments to sellers, in such other form as shall be specified by the Clearing House.

9.4.4 The net Lots covered by Cleared Metal Contracts following offset under Trading Regulation 9.3 which match as to metal and tonnage but not as to currency, shall be offset for the purposes of establishing the net number of Warrants to be settled by delivery subject to the Clearing House Rules. Such delivery of Warrants shall, from the date prescribed by the Exchange for the relevant metal, be effected pursuant to LMEsword in accordance with the LMEsword Regulations and Operating Procedures and the Clearing House Rules.

9.4.5 On the Business Day following the Prompt Date the Clearing House shall call on seller or buyer as requisite in order that allowances for accrued storage rent, and any difference between Warrant weight and contract weight be accounted for in respect of Warrants transferred to the buyer in accordance with the Clearing House Rules.

9.4.6 If a Clearing Member fails duly to deliver a Warrant due to be delivered to the Clearing House, the Clearing House may, without prejudice to its rights under the Clearing House Rules:

9.4.6.1 without prejudice to the accrued rights for damages of the Clearing House and the affected buying Clearing Member(s), direct the Warrant be delivered to and by the Clearing Member on the Business Day next following the Prompt Date, that the Contract terms be adjusted accordingly and the parties' payment obligations and entitlements thereunder be adjusted to give such rate of compensation to the buyer as the Exchange may from time to time direct; or

9.4.6.2 Invoice Back the metal due to be delivered in accordance with Trading Regulation 10.4.

This Trading Regulation 9.4.6 shall apply subject to any directions of the Exchange made under Trading Regulation 17.1 or 17.2 below. The Exchange may prescribe such penalties for non-delivery of Warrants as it may from time to time deem fit in the Operating Procedures or by Notice.

9.4.7 The Exchange may prescribe dates in advance of the dates prescribed under Trading Regulation 9.4.4, following which Clearing Members may deliver only Warrants issued utilising LMEsword.

9.5 **Client Contracts – General**

The provisions of this Trading Regulation 9.5 apply to the settlement of Client Contracts as between the Member and its Client. Any Cleared Contract that arises between a Clearing Member and the Clearing House pursuant to the Clearing House Rules that corresponds to a Client Contract, shall be settled in accordance with (i) Trading Regulations 9.1 to 9.4 above and (ii) the provisions of the Clearing House Rules.

9.6 **Client Metal Contracts**

9.6.1 Client Metal Contracts shall settle by offset or delivery.

Client Metal Contracts - by Offset:

9.6.2 Offsetting bought and sold Client Metal Contracts with the same Prompt Date and currency shall be settled on contract (round) weights, buyer and seller paying or receiving as the case may be any difference between the Contract prices of the Contracts so offset.

Client Metal Contracts - by Delivery:

9.6.3 Delivery of Warrants and settlement in respect of unmatched Client Metal Contracts shall be effected in accordance with the terms of the Client Metal Contract between the parties and the Contract Regulations. Such terms must require Warrants to be delivered by no later than 09.00 hours on the Prompt Date when a Category 4 Member or non-Member is the seller and transferor, and no later than 13.30 hours (so far as enabled by the seller's best endeavours) when a Clearing Member is the seller and transferor of the Warrants. Delivery shall be effected pursuant to LMEsword in accordance with the LMEsword Regulations and Operating Procedures governing ex-cleared transfers.

9.7 **Daily Settling Client Contracts**

9.7.1 This Regulation 9.7 of the Trading Regulations shall apply to:

(a) Client Index Futures;

(b) Client LMEmini Futures;

(c) Client Cash-Settled Futures;

(d) Client LMEprecious Futures

(each being a type of "**Daily Settling Client Contract**").

9.7.2 The Daily Settling Client Contracts listed in Regulation 9.7.1 above shall settle on the following basis:

(a) Client Index Futures shall settle in cash on the Settlement Business Day following the Prompt Date in the same way as Cleared Index Futures as described in Trading Regulation 9.1.5.

(b) Client LMEmini Futures shall settle in cash on the Prompt Date in the same way as Cleared LMEmini Futures as described in Trading Regulation 9.1.3.

(c) Client Cash-Settled Futures shall settle in cash on the relevant Settlement Business Day specified in the Special Contract Rules for Cash-Settled Futures in the same way as Cleared Cash-Settled Futures as described in Trading Regulation 9.1.10.

(d) Client LMEprecious Futures shall settle by the delivery of Precious Metal from the Seller to the Buyer on the Prompt Date.

(e) Such Daily Settling Client Contracts shall also be subject to daily settlement to market or daily marking to market as agreed between the Member and its Client on the basis set out below.

9.7.3 As agreed between the Member and its Client, the Member shall effect the daily settlement to market of all open Daily Settling Client Contracts of each type. Regulations 9.7.4 to 9.7.6 below shall be subject to the application of Regulations 9.7.7 and 9.7.8, where applicable.

Calculation of Daily Settlement Amounts

9.7.4 In order to create a daily settlement amount, the Member shall, in respect of each open Daily Settling Client Contract of each type, effect between it and its Client a settlement contract, being a book-entry Contract on the same terms (except as to price) as the open Contract, save that where the Client is a buyer under the terms of the Contract, the Client shall be a seller under the terms of the settlement contract and vice versa, at the relevant price, being:

(a) in respect of Client Index Futures, the Index Futures Closing Price;

(b) in respect of LMEmini Futures, the LMEmini Futures Closing Price;

(c) in respect of Cash-Settled Futures, the Cash-Settled Future Daily Settlement Price;

(d) in respect of LMEprecious Futures, the LMEprecious Daily Settlement Price,

(each being the "**Relevant Daily Settlement Price**").

For the avoidance of doubt, the settlement contract shall not be registered in the Matching System.

9.7.5 The Member shall, upon completion of the procedure in Trading Regulation 9.7.4 above, calculate the daily settlement amounts and the Member and its Client shall (unless otherwise agreed) settle any daily settlement amounts arising.

Daily Settlement to Market and Marking to Market

9.7.6 Subject to the application of Regulation 9.7.7, where applicable, the Member shall, upon completion of the calculation of daily settlement amounts pursuant to Trading Regulation 9.7.5 above:

(a) In respect of those open Contracts in a Client's name which have been settled pursuant to Trading Regulation 9.7.4 and which are subject to daily settlement to market, enter into and record in its books at the Relevant Daily Settlement Price referred to in Trading Regulation 9.7.4 above, book-entry Contracts in the Client's name as open Contracts on the same terms (except as to price) as the settled open Contracts, save that the Member shall not enter into and record in its books Contracts in the name of the Client if to do so would result in the Client being the purchaser under one type of Daily Settling Client Contract and the seller under another Daily Settling Client Contract of the same type, each such Daily Settling Client Contract having the same maturity month. For the avoidance of doubt, these book-entry Contracts shall not be registered in the Matching System.

(b) In respect of those open Contracts in a Client's name which have been settled pursuant to Trading Regulation 9.7.4 above and which are subject to daily marking to market enter into and record in its books at the Relevant Daily Settlement Price referred to in Trading Regulation 9.7.4 above, new book-entry Contracts in the Client's name as open Contracts on the same terms (except as to price) as the settled open Contracts. For the avoidance of doubt, these book-entry Contracts shall not be registered in the Matching System.

Position Management where netting, aggregation or close out is applied to Client-Related Cleared Contracts

9.7.7 In the event that any Client-Related Cleared Contracts that are allocated to a client account of a Clearing Member at the Clearing House are subject to Position Netting at the Clearing House, and the corresponding Underlying Client Contracts are Daily Settling Client Contracts, such Underlying Client Contracts shall also be automatically and simultaneously subject to Position Netting under the Exchange Rules, on the following basis:

(a) the Clearing Member and the Client (each acting as principal) shall be released from further obligations towards one another under such Underlying Client Contracts and their respective rights against one another under such Contracts shall be cancelled; and

(b) simultaneously, new Client Contracts shall, by operation of this Regulation, come into full force and effect between the Clearing Member and the Client, such that the Clearing Member and the Client (each acting as principal) shall assume obligations towards one another and/or acquire rights against one another under such new Client Contracts; and

(c) such new Client Contracts shall represent back-to-back Contracts to each post-netting Cleared Contract that is in effect following the Position Netting at the Clearing House, such that:

(i) for each post-netting Cleared Contract, there shall be a corresponding new Client Contract, having:

(1) the same direction; and

(2) the same commercial terms, including in relation to the amount of underlying metal and prices; and

(ii) the Variation Margin applicable to such a new Client Contract shall be the Variation Margin amounts applicable to the post-netting Cleared Contracts or such larger sum as may be agreed between the parties,

save that Position Netting at the Exchange shall not affect any terms or contractual rights or obligations between the Clearing Member and the Client that were not comprised in the terms of any Underlying Client Contract that was subject to Position Netting under the Exchange Rules; and

(d) where Position Netting results in the close out by netting of Client-Related Cleared Contracts, the Underlying Client Contracts corresponding to such Client-Related Cleared Contracts shall also be automatically and simultaneously closed out by netting.

9.7.8 Each Clearing Member that, under the Clearing House Rules, maintains Client-Related Cleared Contracts allocated to any of its client accounts at the Clearing House on the basis of the application of Position Netting at the Clearing House must:

(a) have ensured that, prior to the implementation of any Position Netting at the Clearing House, its terms of business or other contractual arrangements with the relevant Clients contain provisions that operate in a manner that is consistent with Regulation 9.7.7 and this Regulation 9.7.8, and do not contain provisions which would conflict with or frustrate the Position Netting of any Underlying Client Contract in accordance with Regulation 9.7.7 and this Regulation 9.7.8;

(b) ensure that any Client that is party to an Underlying Client Contract that is or may be subject to Position Netting under the Exchange Rules:

(i) is notified of the fact that such Position Netting may occur, and when such Position Netting will take effect; and

(ii) upon Position Netting under the Exchange Rules, is promptly notified of the effect of Position Netting, such that the Client is at all times on notice of the Client Contracts (including the post-netting Client Contracts) that are in force between the Clearing Member and the Client;

(c) ensure that its books and records relating to the Client Contracts and Cleared Contracts to which it is a party are at all times reconciled and up to date, such that it is at all times possible to identify which Cleared Contract (including a post-netting Client Contract) represents the clearing of which Client Contract (including a post-netting Cleared Contract); and

(d) promptly upon request by the Exchange or Clearing House provide a copy of such books and records described in (c) above, in such a format that would easily enable reconciliation of the Client Contracts with the corresponding Cleared Contracts (including the post-netting Cleared Contracts).

9.8 Client LMEprecious Future Contracts - Delivery

Delivery of Precious Metal and settlement in respect of Client LMEprecious Futures shall be effected in accordance with the terms of the Client LMEprecious Future between the parties and the Contract Regulations. Such terms must require Precious Metal to be delivered by no later than:

(a) no later than 16:00 hours on the Prompt Date when an LMEprecious Non-Clearing Member or non-Member is the Seller and transferor of the Precious Metal, and

(b) no later than 16:00 hours (so far as enabled by the Seller's best endeavours) when an LMEprecious Clearing Member is the Seller and transferor of the Precious Metal,

or such other time as the Clearing House may prescribe from time to time.

Delivery shall be effected by delivery of the unallocated Precious Metal to the Buyer's account at a Precious Metal Clearer or by such other means as the parties may agree. The manner of delivery shall be as agreed by the parties or, in the absence of agreement, at the Seller's option.

9.9 **Client LMEprecious Option Contracts**

In the Money Client LMEprecious Option Contracts and At the Money Call Options on Client LMEprecious Option Contracts shall be subject to automatic exercise and settlement in the same way as Cleared LMEprecious Option Contracts, in accordance with the LMEprecious Option Regulations.

9.10 **Client Index Options**

In the Money Client Index Options shall be subject to automatic exercise and settlement in the same way as In the Money Cleared Index Options.

9.11 **Client Premium Contracts**

Client Premium Contract shall settle in accordance with the Premium Contract Regulations.

9.12 **Settlement Facility**

Members may designate an alternative settlement facility to the Clearing House for the settlement of a Contract provided that:

(a) such links and arrangements exist between the designated settlement facility and any other settlement facility as are necessary to ensure the efficient and economic settlement of the Contract; and

(b) the Exchange is satisfied that the smooth and orderly functioning of the financial markets will be maintained.

9.13 **Compression**

This Regulation 9 of the Trading Regulations shall be read and construed in accordance with Regulation 4.4 of the Contract Regulations.

9.14 Client Clearing and Indirect Clearing Arrangements

9.14.1 It shall be the responsibility of a Member, and not the Exchange, to ensure that any client clearing or Indirect Clearing Arrangement established by a Member is compliant with the Member’s obligations under MiFID II, MiFIR and/or EMIR and/or any other applicable law or regulation.

9.14.2 Without prejudice to the specific requirements in Trading Regulations 2.6 and 3.9.1, a Member must not cause or facilitate any Agreed Trade to be made with or for a Client of such Member unless such Member is satisfied that such Client has established appropriate direct

and/or Indirect Clearing Arrangements to become counterparty to the cleared transaction resulting from the Execution of such Agreed Trade.

9.14.3 Without prejudice to the generality of Regulations 9.14.1 and 9.14.2 above, where a Member intends to facilitate an Indirect Clearing Arrangement:

(a) it shall be the sole responsibility of the Member to ensure that, and the Member must ensure that:

(i) the Member has executed binding contractual terms with its counterparties, including any Client or Indirect Client (and, where the Member is not itself a Clearing Member, a Clearing Member):

(1) to give effect to the formation of the relevant Underlying Client Contract(s) at the Execution Time for the corresponding Cleared Contract; and

(2) to govern such Underlying Client Contracts(s);

(ii) the Member has notified its Client or its Indirect Client (as applicable) that any Indirect Clearing Arrangements that include a "second indirect client" or "third indirect client" must be compliant with the Indirect Clearing Regulations; and

(iii) the Indirect Clearing Arrangement is compliant with the Indirect Clearing Regulations as regards the segregation of assets and positions;

(b) the Exchange shall be under no obligation to verify the compliance or appropriateness of any of the matters described in (a) above; and

(c) notwithstanding (b) above:

(i) the Member shall provide to the Exchange such information regarding the Indirect Clearing Arrangement as the Exchange may reasonably request, including without limitation, information demonstrating the basis on which the Member has complied with its obligations under (a) above; and

(ii) in the event that the Exchange, acting reasonably, has cause for concern that the Indirect Clearing Arrangement and/or the behaviour of any person participating in such Indirect Clearing Arrangement:

(1) is not compliant with the requirements in (a) above; and/or

(2) may threaten the operation of a fair and orderly market in Contracts; and/or

(3) be operated in a manner detrimental to the interests of participants in the market for Contracts,

the Member shall comply with any requirements notified by the Exchange, acting reasonably, to address such concerns.

9.14.4 An Indirect Clearing Arrangement that is permissible under these Rules shall include an arrangement:

(a) where the Client of the Clearing Member is a Non-Clearing Member and such Non-Clearing Member has a Client that is, consequently, an Indirect Client of the Clearing Member; and

(b) where the Client of the Clearing Member is not a Non-Clearing Member and such Client has its own client that is, consequently, an Indirect Client of the Clearing Member,

in each case provided that the arrangement complies with the Indirect Clearing Regulations, these Rules and the Clearing House Rules.

10. DELIVERY - GENERAL

10.1 Acceptance and delivery of documents including Warrants or Premium Warrants under the foregoing procedure shall be without prejudice to any question or dispute relating thereto being referred to arbitration. If any Clearing Member shall have any complaint whatsoever in respect of delivery or acceptance of delivery under a Cleared Contract with the Clearing House, such Clearing Member shall give written notice and particulars of their complaint to the Clearing House in conformity to the Clearing House Rules.

10.2 If there appears to the Clearing House to be a default by either party to a Cleared Contract with the Clearing House in respect of or arising out of a delivery, the Clearing House shall as soon as practicable take such steps as it deems appropriate to achieve an amicable settlement of the issue between the parties. If it appears to the Clearing House that such steps have not led and are not likely to lead to a settlement within a reasonable time, the Clearing House shall refer the dispute to the Exchange.

10.3 If upon reference made to it by the Clearing House the Exchange is of the opinion that the default is of minor significance, it may thereupon determine the issue upon such evidence before them as it may deem relevant and convey its determination to the parties. All parties shall forthwith accept such determination and shall implement its terms without question, provided that such acceptance and implementation shall be without prejudice to the right of any party to refer the dispute or any related dispute to arbitration under the Rules.

10.4 Where the Clearing House determines to Invoice Back metal in accordance with Trading Regulation 9.4.6.2 or (in the case of a Premium Contract) Premium Contract Regulation 3.9(f) or otherwise in accordance with the Clearing House Rules, it shall Invoice Back the metal in question to the seller at the price fixed by the Exchange. The Exchange may fix such a price as an applicable daily rate generally for the purposes of the Invoicing Back of the metal in question or for the specific case, at their absolute discretion, and such prices or rates may take account of any compensation that the Exchange consider should be paid by either party to the other. This Trading Regulation 10.4 shall apply subject to any directions issued in accordance with Trading Regulation 17.1 or 17.2 below.

10.5 An Invoicing Back price fixed under these Trading Regulations shall be binding on the parties. No dispute as to the price may be referred to arbitration but the completion of Invoicing Back shall be without prejudice to the right of any party to refer any other issue to arbitration under the Rules.

10.6 References in the Rules to the delivery of Warrants or Premium Warrants shall include a delivery of Warrants or Premium Warrants by way of a transfer within LMEsword in accordance with the LMEsword Regulations and Operating Procedures.

10.7 Where, as a consequence of a failure by a Member to deliver Precious Metal in respect of any Cleared Contract that is an LMEprecious Future, the Clearing House determines that it shall postpone its own delivery obligation in respect of such Precious Metal under any Client-Related Cleared Contract that is an LMEprecious Future, the Prompt Date in respect of the Underlying Client Contract that corresponds to such Client-Related Cleared Contract shall be postponed to the same date as revised date for delivery by the Clearing House under the Client-Related Cleared Contract.

11. DEALINGS IN THE RING

11.1 Business in the Ring shall be by open outcry and shall be confined within the times laid down for dealings in individual metals and Contract-types and for kerb dealings. Each Category 1 Member must ensure they have a Dealer in the second Ring of the first session (R2). Participation in all other Ring sessions shall be voluntary. Dealings shall be for Prompt Dates in accordance with Trading Regulation 8.1 subject to the provisions of any applicable Notice. Those present in the Exchange during Ring and kerb dealings shall at all times conduct themselves in an orderly manner.

11.2 Emergency Powers, Discipline and Offences

11.2.1 In the event of a fire or other emergency, the Exchange, shall have the power to temporarily halt or interrupt Ring dealings during any session if in their discretion they consider that such action is in the best interests of the Exchange.

11.2.2 An employee of the Exchange who is properly authorised by the Exchange may take other action relating to discipline on the premises of the Exchange if in their view it is necessary to prevent a breach of any rule and to ensure the orderly operation of the market. Such action includes, but is not limited to, requiring a person to leave the premises of the Exchange and not return within the same day.

11.2.3 Minor offences ("**Minor Offences**"), dealing offences ("**Dealing Offences**") and serious offences ("**Serious Offences**") (each an "**Offence**" and together the "**Offences**") will be dealt with in accordance with Trading Regulations 11.3, 11.4 and 11.5 respectively.

11.2.4 The Exchange may, from time to time, notify to Members through Notices that it has designated any other activity as either a Minor Offence, a Dealing Offence or a Serious Offence.

11.3 Dealing Offences

11.3.1 The rules in this Trading Regulation 11.3 shall at all times be observed by Dealers when dealing on the Ring. Any breach of Trading Regulation 11.3 by Dealers will be deemed to be a Dealing Offence.

11.3.2 Dealers must act with due skill, care and diligence at all times whilst dealing by open outcry or otherwise acting in their capacity as Dealers.

11.3.3 Dealings must cease as soon as the bell commences to ring.

11.3.4 Offers and bids must be made by open outcry and addressed to the whole Ring and not to individuals, and must be clearly audible to the whole Ring.

11.3.5 There must be no discrimination either in favour of or against any Dealer or the Category 1 Member for whom they are dealing.

11.3.6 Any bid or offer remains valid at the price unless or until there has been a change in price or the bid or offer has been expressly withdrawn. In accordance with this Trading Regulation:

(a) a change in price occurs when the price that is offered trades and is then bid, or vice versa, or when the price is bid higher or offered lower in conformity with the requirements of Trading Regulation 11.3; and

(b) if a Dealer who is bidding at a price wishes to offer at a lower price to their current bid, they must withdraw their current bid and immediately offer that same price before quoting a different price, unless a different price is quoted by another Dealer between the withdrawal by the Dealer and the new offer by that Dealer; and

(c) if a Dealer who is offering at a price wishes to bid at a higher price to their current offer, they must withdraw their current offer and immediately bid that same price before quoting a different price, unless a different price is quoted by another Dealer between the withdrawal by the Dealer and the new bid by that Dealer; and

(d) if a Dealer wishes to offer a price that is lower than the current bid price, they must sell all the Lots available at the bid price. They must then immediately offer that same price before quoting a different price, unless a different price is quoted by another Dealer between the trade at the bid price and the new offer by that Dealer; and

(e) if a Dealer wishes to bid a price that is higher than the current offered price, they must buy all the Lots available at the offered price They must then immediately bid that same price before quoting a different price unless a different price is quoted by another Dealer between the trade at the offered price and the new bid by that Dealer; and

(f) any Dealer who is trading by open outcry will be deemed to have withdrawn their bid and/or offer should they leave the Ring.

11.3.7 Minimum price fluctuations shall be at such levels as the Exchange may from time to time prescribe. Dealers must comply with the minimum price fluctuations requirements when quoting prices in the Ring.

11.3.8 Dealers should avoid using such terms as "I will sell only...." or "I will buy only...." if on acceptance they increase the number of Lots so specified, at the same price.

11.3.9 The Dealer who says "Yes" must be prepared to deal 50 Lots. Any unfilled balance up to this limit must either be sold to or lent to or bought from or borrowed from other Dealers if those other Dealers wish to deal at that price. A response to "Yes" must be quantified by tonnage.

11.3.10 Bids or offers deemed by the Ring Disciplinary Committee to be frivolous are prohibited and may be deemed to be a prohibited practice pursuant to Trading Regulation 14.

11.3.11 The Dealer who is the first to bid or offer at a price must be given priority and is entitled to buy or sell all the Lots available at the price until their requirements are satisfied.

11.3.12 A Dealer who simultaneously bids and offers at the same price must be prepared to deal either way.

11.3.13 A Dealer must not:

(a) bid at or more than the offered price nor offer at or below the bid price at the time of their offer or bid; or

(b) bid below the bid price nor offer above the offered price at the time of their offer or bid.

11.3.14 During each Ring and kerb all opening bids and/or offers for Cash and 3 months in the case of all Contracts must be all the digits of the full price that is quoted.

11.3.15 The term "0", when it is in the last digit of the full price, must not be used.

11.3.16 During all Ring and kerb trading Dealers must ensure that:-

(a) in the case of Copper - Grade A, High Grade Primary Aluminium, Special High Grade Zinc, Lead, North American Special Aluminium Alloy, Steel Billet and Aluminium Alloy the last two digits of the full price are quoted;

(b) in the case of Cobalt, Molybdenum, Primary Nickel, Tin and Index Futures the last three digits of the full price are quoted; and

(c) in the case of Premium Contracts, the last three digits of the full price is quoted.

11.3.17 The Dealer who discloses the tonnage or Lots they are prepared to buy or sell is obliged to trade the full tonnage or Lots unless expressly withdrawn; and

11.3.18 The Dealer who is bidding and/or offering at a price for Cash or three months for Copper, High Grade Primary Aluminium, Special High Grade Zinc, Lead, Nickel, North American Special Aluminium Alloy and Aluminium Alloy during the second Ring must be prepared to deal 20 lots unless the tonnage is stated. In the case of Tin the Dealer must be prepared to deal 5 lots unless the tonnage is stated. Any unfilled balance up to these limits must be sold or taken from other dealers who immediately respond to the bid or offer.

11.3.19 Dealers must ensure that trades are completed in a timely and orderly manner. This applies in particular (but without prejudice to its general application) to business transacted towards the close of any Ring.

11.3.20 Dealers must comply with the following:

(a) Dealers must not bid, offer or trade at a price which is unknown at the time the bid, offer or trade is made; and

(b) during the second Ring for each metal and, in respect of each metal, during the last ten minutes of kerb trading before that metal ceases to trade, Dealers may not trade behind the Ring at an unknown price for any Prompt Date other than for Carries.

11.3.21 Dealers must remain seated at all times whilst dealing by open-outcry in the Ring.

11.3.22 It is the duty of sellers or lenders to check their deals not later than 10 minutes after the close of the respective Ring trading session for each metal. Kerb deals are to be checked before leaving the Exchange. It is the duty of buyers or borrowers to co-operate.

11.3.23 During kerb trading no Dealer may stand behind the Ring in order to trade by open-outcry if there are no Dealers from the same Member seated in the Ring unless the express permission

of an employee of the Exchange who is properly authorised by the Exchange is obtained. During the last ten minutes of kerb trading for the close of each metal:

(a) only the Dealer from a Member seated in the Ring may trade that metal; and

(b) the Dealer who is bidding and/or offering at a price for a Carry between any two Prompt Dates must be prepared to deal 50 lots unless the tonnage for the Carry is stated. The Dealer who is bidding and/or offering at a price for Cash or three months for Copper, High Grade Primary Aluminium, Special High Grade Zinc, Lead, Nickel, North American Special Aluminium Alloy and Aluminium Alloy must be prepared to deal 20 lots unless the tonnage is stated. In the case of Tin the Dealer must be prepared to deal 5 lots unless the tonnage is stated. Any unfilled balance up to these limits must be sold to or taken from other Dealers who immediately respond to the bid or offer.

11.3.24 A Dealer must not undertake any other activity of a kind which two or more members of the Ring Disciplinary Committee deem to be a Dealing Offence.

11.4 Minor Offences

11.4.1 The rules in this Trading Regulation 11.4 shall at all times be observed by Dealers and Member Representatives. Any breach of Trading Regulation 11.4 by Dealers or Member Representatives will be deemed to be a Minor Offence.

11.4.2 Dealers and Member Representatives must not undertake conduct of an unprofessional nature. Examples of such conduct include, but are not limited to, the following:

(a) failure to observe the Dress Code as set out in the Code of Conduct for Access to the LME Premises;

(b) failure to observe the requirements regarding the consumption of any food and/or beverages as set out in the Code of Conduct for Access to the LME Premises;

(c) chewing gum whilst in the Dealing Area;

(d) the sale and/or display of non-LME products in the Dealing Area;

(e) the use of foul and abusive language;

(f) reading newspapers, books or magazines in the Dealing Area;

(g) any activity which is, or may be reasonably anticipated to be, or become, a nuisance, disturbance or inconvenience within Exchange premises;

(h) sitting down in the Dealing Area unless an employee of the Exchange who is properly authorised by the Exchange (in their absolute discretion) has authorised the Dealer or Member Representative that they can use a particular seat in their respective Member's booth;

(i) smoking or using e-cigarettes on Exchange premises at any time;

(j) the use of mobile telephones or any other wireless communication device in the Dealing Area at any time without the express permission of an employee of the Exchange who is properly authorised by the Exchange;

(k) the use of cameras, video and/or audio recording equipment within the Exchange; and

(l) causing excessive noise from behind the Ring whilst dealings are in progress.

11.4.3 Dealers and Member Representatives must not undertake conduct likely to interfere with trading activity or to cause disorder or offence or damage within the Exchange. Examples of such conduct include, but are not limited to, the following:

(a) failure to comply with the Exchange security procedures or the requirements regarding the use of access passes and/or LME identity cards, as set out in the Code of Conduct for Access to the LME Premises;

(b) failure to comply with the requirements relating to Visitors, as defined and set out in the Code of Conduct for Access to the LME Premises;

(c) the throwing of projectiles; and

(d) failure to follow the procedure for making objections as published by the Exchange in Notices from time to time.

11.5 **Serious Offences**

11.5.1 The rules in this Trading Regulation 11.5 shall at all times be observed by Dealers and Member Representatives. Any breach of Trading Regulation 11.5 by Dealers or Member Representatives will be deemed to be a Serious Offence. Serious Offences include the following types of conduct:-

(a) violent conduct or conduct likely to cause injury to another person or damage to property on Exchange premises;

(b) the unauthorised removal of or damage to the Exchange structure or equipment;

(c) failing to comply with the instruction of a properly authorised employee of the Exchange or a member of the Ring Disciplinary Committee;

(d) harassment of Exchange staff, including physical contact with Exchange staff or threatening Exchange staff;

(e) preventing Exchange staff from carrying out their duties;

(f) any breach by a Dealer or Member Representative of Regulation 14 of the Trading Regulations;

(g) consumption of alcohol or being under the influence of alcohol within the Exchange unless with the express permission from an employee of the Exchange who is properly authorised by the Chief Executive or Chief Operating Officer of the Exchange;

(h) the use of illegal substances and/or being under the influence of any illegal substances within the Exchange at all times; and

(i) any other act, conduct or behaviour of a kind which two or more members of the Ring Disciplinary Committee deems to fall into this category.

11.6 Investigations and Enforcement for Minor and Dealing Offences

11.6.1 Breaches by Dealers or Member Representatives of the provisions of the Trading Regulations or where relevant the Membership Regulations, may be categorised by the Ring Disciplinary Committee as Minor Offences, Dealing Offences or Serious Offences.

11.6.2 The Ring Disciplinary Committee may take such reasonable steps as it deems necessary in determining if any Offence has been committed, including referring to the Exchange's video and audio surveillance system of the Ring.

11.6.3 Where the Ring Disciplinary Committee considers that a Dealer or Member Representative has committed either a Minor Offence or a Dealing Offence, the Ring Disciplinary Committee may in its absolute discretion issue an RDC Warning. Not later than close of business on the Business Day following receipt of the RDC Warning, such person and/or their nominated representative shall, on request to the Ring Disciplinary Committee, be entitled to inspect at the Exchange during business hours any relevant video or audio surveillance footage which is available, and the Ring Disciplinary Committee shall comply with such request. RDC Warnings shall not be issued for Serious Offences.

11.6.4 Where the Ring Disciplinary Committee considers that a Dealer or Member Representative may have committed a Minor Offence or a Dealing Offence and the Ring Disciplinary Committee in its absolute discretion does not intend to issue a RDC Warning for that particular Minor Offence or Dealing Offence, the Ring Disciplinary Committee shall:

(a) notify such person in writing; and

(b) not later than close of business on the Business Day following receipt of written notice in accordance with Trading Regulation 11.6.4(a), such person and/or their nominated representative shall, on request to the Ring Disciplinary Committee, be entitled to inspect at the Exchange during business hours any relevant video or audio surveillance footage which is available, and the Ring Disciplinary Committee shall comply with such request.

11.6.5 Where, following expiration of the inspection period referred to in Trading Regulation 11.6.4(b), the Ring Disciplinary Committee has made an RDC Decision and determined that a Dealer or Member Representative has committed either a Minor Offence or a Dealing Offence:

(a) the Ring Disciplinary Committee shall notify such person in writing;

(b) not later than close of business on the Business Day following receipt of written notice in accordance with Trading Regulation 11.6.4(a), such person and/or their nominated representative shall, on request to the Ring Disciplinary Committee and if they have not already done so in accordance with Trading Regulation 11.6.4(b), be entitled to inspect at the Exchange during business hours any relevant video or audio surveillance footage which is available, and the Ring Disciplinary Committee shall comply with such request; and

(c) where no appeal is lodged by such person in accordance with Trading Regulation 11.6.8, the Ring Disciplinary Committee shall issue a Notice to all Members explaining the nature and circumstances of the Offence and any penalty imposed.

11.6.6 The Ring Disciplinary Committee may impose a penalty for Dealing Offences as described in Regulation 11.3 in accordance with the table of fines and penalty points listed below:

		Fine	Penalty Points
1st offence	up to	£5000	20
2nd offence	up to	£10000	40
3rd offence	up to	£20000	80
4th offence	up to	£50000	160

11.6.7 The Ring Disciplinary Committee may impose a penalty for Minor Offences as described in Regulation 11.4 in accordance with the tables of fines and penalty points listed below:-

(a) Conduct of an unprofessional nature, as described in Regulation 11.4.2 of the Trading Regulations:-

		Fine	Penalty Points
1st offence	up to	£500	20
2nd offence	up to	£1000	40
3rd offence	up to	£2000	80
4th offence	up to	£4000	160

(b) Conduct likely to interfere with trading activity or to cause disorder or offence or damage on Exchange premises, as described in Regulation 11.4.3 of the Trading Regulations:-

		Fine	Penalty Points
1st offence	up to	£1000	20
2nd offence	up to	£2000	40
3rd offence	up to	£4000	80
4th offence	up to	£8000	160

11.6.8 Ring Appeals

(a) Any Dealer or Member Representative who is the subject of an RDC Decision and who is dissatisfied with that RDC Decision including with any penalty imposed in the RDC Decision may, within five (5) Business Days of receiving the RDC Decision, lodge a Ring Appeal in the form of a Ring Notice of Appeal with the Head of Enforcement. The Head of Enforcement shall refer the Ring Appeal to the Chairman of the Disciplinary Panel who will convene a Disciplinary Committee in accordance with Regulation 14 of the Membership Regulations in order to determine the Ring

Appeal. The Ring Appeal shall be conducted in accordance with Regulations 14.51-14.59 of the Membership Regulations.

(b) The RDC Decision, including any sanction imposed in the RDC Decision, shall be suspended from the date on which the Head of Enforcement receives the Ring Notice of Appeal up until the date of determination of any such Ring Appeal by the Disciplinary Committee.

11.7 **Investigations and Enforcement for Serious Offences**

11.7.1 A Serious Offence by a Dealer or Member Representative will be an Act of Misconduct for the purposes of Regulations 13 and 14 of the Membership Regulations.

11.7.2 Any member of the Ring Disciplinary Committee who believes in good faith in their absolute discretion that a Serious Offence has been committed by any person may request that such person immediately leave the Exchange premises for the remainder of the trading day, and if necessary and proportionate to the Serious Offence believed to have been committed, for such further period as is considered appropriate, and such person shall comply with any such request.

11.8 **Disciplinary Record**

11.8.1 A Minor Offence and a Dealing Offence will be considered spent after a period of twelve calendar months has elapsed from the date that the Dealing Offence or Minor Offence occurred.

11.8.2 Any person who accumulates: (i) 60 or more penalty points within a period of three calendar months; (ii) 140 or more penalty points within a period of six calendar months; or (iii) 300 or more penalty points within a period of twelve calendar months, shall automatically be suspended from trading in the Ring for two Business Days. In such case, the Ring Disciplinary Committee shall inform the person of the fact of their suspension and the date it shall commence by notice in writing.

11.8.3 Any person who accumulates 140 or more penalty points within a period of three calendar months or 300 or more penalty points within a period of six calendar months will be considered to have committed a Serious Offence.

12. **DEALINGS ON LME SELECT**

12.1 All business on LME Select shall be conducted in accordance with the Rules.

12.2 Only LME Select Participants may have direct access to LME Select and such LME Select Participants must have entered into relevant contractual agreement as stipulated by the Exchange from time to time.

12.3 LME Select Participants are required to maintain adequate internal procedures and controls in order to ensure that they comply with their obligations under the Rules, including without limitation, to maintain the confidentiality and anonymity of LME Select trading activity.

12.4 LME Select Participants must advise the Exchange in writing if any Dealer leaves the employment of an LME Select Participant. Until such time as a Dealer's access to LME Select has been revoked, the relevant LME Select Participant shall remain responsible and liable for all activity undertaken by such Dealer.

12.4A LME Select Participants are required to:

(a) maintain the confidentiality and anonymity of LME Select trading activity (including the identity of any counterparties);

(b) not disclose LME Select trading activity (including the identity of any counterparties) to third parties other than as compelled by law or regulation; and

(c) ensure that only internal authorised personnel are able to access data relating to the identity of trading counterparties. LME Select Participants must ensure that:

(i) such internal authorised personnel are those individuals who, from an operational perspective, require access to the identity of trading counterparties in order to action a price adjustment in accordance with a direction from the Exchange pursuant to the Exchange's 'Error Trades and Erroneous Order Submissions Policy'; and

(ii) such internal authorised personnel do not include any individuals that are involved in trading decisions or the taking of orders from clients or counterparties.

12.4B LME Select Participants must comply with the obligations in Rule 12.4A Part 3, above in relation to any trading activity undertaken on any of the Execution Venues where such trading activity is being undertaken in order to re-book LME Select trading activity which has been cancelled or reversed.

12.5 LME Select Participants must ensure that appropriate and adequate training has been provided to all staff that has access to LME Select. All relevant staff should be regularly reviewed, and additional training provided if required or if the Exchange notifies the LME Select Participant that further training of a particular staff member is required.

12.6 LME Select Participants and Clients may not distribute, disseminate or share LME Select price, volume, trade and/or any other data, unless they have entered into the appropriate licence agreement with the Exchange to do so.

12.7 The following rules of trading procedure shall apply at all times when the central order book is open for order and trading activity:-

12.7.1 bids or offers deemed by the Exchange to be frivolous are prohibited and may be deemed to be a prohibited practice pursuant to Trading Regulation 14;

12.7.2 the Exchange may apply such algorithm as it may from time to time determine to effect the matching of orders submitted to LME Select; the matching algorithm applicable to each Contract shall be set out on the LME website or distributed by any other means deemed appropriate;

12.7.3 orders entered into LME Select must be in multiples of Lots and placed in incremements that comply with the minimum price fluctuations as shall be prescribed by the Exchange from time to time;

12.7.4 LME Select Participants must act with due skill care and diligence at all times whilst dealing on LME Select;

12.7.5 where any LME Select Participant enters any order, or otherwise undertakes trading activity, such LME Select Participant:

(a) must not do so with the intention of such order or trading activity having an adverse impact on the orderliness of trading on LME Select; and

(b) must take reasonable steps to ensure that such order or trading activity does not have an adverse impact on the orderliness of trading on LME Select; and

12.7.6 permitted orders shall be in accordance with those prescribed by the Exchange from time to time.

12.7A The Exchange may, in its sole discretion following appropriate testing (as determined by the Exchange), implement, modify or withdraw implied pricing routes pursuant to which the matching engine of LME Select combines orders in two or more instruments to generate new orders in other instruments. The implied pricing routes in operation on LME Select are set out from time to time on the LME website.

Investigations and Enforcement for LME Select Offences

12.8 Any breach or breaches by LME Select Participants of the provisions of Regulation 12 of the Trading Regulations will be deemed to be an LME Select Offence(s). An LME Select Offence will be an Act of Misconduct for the purposes of Regulations 13 and 14 of the Membership Regulations.

Order routing services (Direct Electronic Access)

12.9 LME Select Participants who meet the Order-routing Eligibility Requirement (so far as applicable) may offer order-routing facilities (also known as direct electronic access under MiFID II) to a Client, but in such cases the LME Select Participant retains responsibility for, and remains liable for, all trading activity conducted by such Client, including all orders submitted and trades executed using the order-routing facility. Any Sponsored Access order-routing arrangements are subject to prior authorisation by the Exchange.

12.10 LME Select Participants must have in place appropriate pre- and post-trade risk controls and procedures for LME Select activity. Such pre-and post-trade risk controls and procedures must at all times comply with any minimum standards prescribed by the Exchange from time to time. LME Select Participants offering order-routing facilities to Clients must ensure that all orders submitted by Clients are subject to appropriate pre- and post-trade risk controls and procedures that have been implemented by the LME Select Participant concerned. Such controls must be equivalent to, and not less effective or robust than, the controls that the Exchange requires Members to establish in respect of their own LME Select activities. Sponsored Access providers must at all times be exclusively entitled to set and modify the parameters of these controls. LME Select Participants may not rely upon any pre- or post-trade risk controls or procedures that Clients may have implemented themselves to satisfy these requirements.

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

(a) comply with the relevant requirements under MiFID II regarding the provision of Direct Electronic Access services, as they apply to Direct Market Access and Sponsored Access arrangements (and in relation to Sponsored Access, including but not limited to, article 22 of the MiFID II Algorithmic Trading RTS);

(b) ensure that Clients using their order-routing services comply with MiFID II and all relevant Rules;

(c) meet all of the applicable requirements prescribed by the Exchange for providing order-routing services, including conditions and requirements established by Notice, as amended by the Exchange from time to time; and

(d) where relevant, observe the requirements relating to Members from jurisdictions other than the UK, specified by way of Notice in accordance with Regulation 12.6(j) of the Membership Regulations

12.12 Any LME Select Participant offering order-routing facilities to its Clients must monitor such Clients' use of such facilities and any transactions executed through such facilities in order to identify infringements of the requirements in MiFID II and/or the Rules. In the event that an LME Select Participant identifies any such infringement, it must notify the Exchange in accordance with Regulation 12.6(m) of the Membership Regulations.

12.13 The Exchange will monitor trading activity carried on via order-routing facilities and may, in the event of (i) an infringement of MiFID II, the Rules, or the requirements prescribed by the Exchange for order-routing services or (ii) any other situation where the Exchange may deem it necessary, acting reasonably and at its absolute discretion:

(a) stop orders or trading by a person using order-routing services; and/or

(b) suspend or terminate the provision of order-routing services by the relevant LME Select Participant.

LME Select API Client Trades

12.14 Trading Regulation 2.7 shall apply in the event that:

(a) a Member makes available to a Client the order-routing facility of the LME Select API; and

(b) due to any use by a Client of the order-routing facility of the LME Select API, one or more Cleared Contracts come into effect between the Clearing House and a Clearing Member.

Identification of Clearing House Accounts

12.15 LME Select Participants must, when submitting orders into LME Select, correctly identify the appropriate account of the Clearing Member for the resulting Agreed Trade at the Clearing House.

12.16 Any failure by:

(a) an LME Select Participant to comply with Trading Regulation 12.15 above; or

(b) a Clearing Member to comply with its obligation to correct an incorrectly allocated Cleared Contract in accordance with the Administrative Procedures,

shall be an act of misconduct for the purposes of Regulation 14 of the Membership Regulations, and may result in disciplinary action against the Member by the Exchange.

Transparent Reporting of Orders to LME Select

12.17 Where any LME Select Participant:

(a) submits its own orders into LME Select; or

(b) offers Direct Electronic Access services to enable Clients to submit orders into LME Select,

such LME Select Participant must ensure that:

(i) all such orders are submitted into LME Select without delay; and

(ii) no such order is withheld from submission into LME Select for the purpose of offsetting such order against any other order or orders that would ordinarily be submitted into LME Select, including but not limited to offsetting one Client order against another Client order.

13. TRADE INVALIDATION AND CANCELLATION

13.1 The Exchange may, in certain circumstances, invalidate transactions in accordance with the relevant procedures established by Notice.

13.2 Where an LME Select Participant has made an error in the execution of a transaction undertaken on LME Select, such LME Select Participant may request that the Exchange contact the counterparty(ies) to determine whether such counterparty(ies)would agree to the transaction being cancelled. In the event that the counterparty(ies) do not agree to the request, then the transaction will not be cancelled.

13.3 Notwithstanding Trading Regulation 13.2, the Exchange may in its absolute discretion review any transaction undertaken on LME Select and invalidate or adjust the price of any trade in accordance with any policy that the Exchange issues from time to time on erroneous trades.

14. PROHIBITED PRACTICES

14.1 No person shall manipulate or attempt to manipulate or otherwise abuse or attempt to abuse the market or create or attempt to create an artificial market.

14.2 No person shall enter into or attempt to enter into a transaction or series of transactions designed to create an artificial market whereby prices and turnover do not truly reflect the business transacted.

14.3 No person shall undertake or attempt to undertake wash or bogus transactions.

14.4 No person shall demonstrate or attempt to demonstrate that trading activity has taken place when it has not in fact occurred nor shall any person mislead or attempt to mislead Exchange staff as to the nature of any trading activity.

14.5 No person shall, either intentionally or unintentionally, create or attempt to create a disorderly market.

14.6 No person shall trade, place orders to trade or encourage any other person to trade in the same direction (purchase or sale) as a Client order with a view to realising a profit or avoiding a loss, pursuant to any price movement brought about by such Client order.

14.7 No person shall mislead or attempt to mislead Exchange staff as to the nature of any orders or transactions.

14.8 No person shall manipulate or attempt to manipulate any prices or indices set or published by the Exchange.

14.9 No person shall undertake, attempt to undertake, procure that another person undertakes or attempts to procure that another person undertakes any behaviour that is contrary to applicable law or regulation preventing market abuse.

14.10 No person shall undertake, or attempt to undertake, any trading activity or strategy on one Execution Venue that in the reasonable opinion of the Exchange, in whole or in part:

(a) disrupts, inappropriately influences or manipulates the determination of prices on another Execution Venue; or

(b) is intended to have any of the effects specified in (a).

15. WHEN THE CLEARING HOUSE MAY SET PRICES

15.1 If the Quotations Committee fails at any time to determine or announce to the Clearing House a Closing Price or a Settlement Price in accordance with the Trading Regulations, the Clearing House may set a Closing Price or Settlement Price as the case may require, of such amount as it may in its absolute discretion determine, and may apply the same in accordance with the Trading Regulations and the Clearing House Rules as if it had been determined by the Quotations Committee.

15.2 If the Exchange fails to set an Invoicing Back price under Trading Regulation 10.4 or Trading Regulation 17.7, then the Closing Price (or, where bid and offered prices are fixed as the Closing Price, the mean of the two) or Settlement Price last fixed under these Trading Regulations (whichever was fixed the later) shall be the Invoicing Back price and such Invoicing Back price shall be deemed to have been fixed by the Exchange.

15.3 A Closing Price, or a Settlement Price or an Invoicing Back price fixed under Trading Regulation 15.1 or 15.2 above shall be binding on the parties to a Contract. No dispute as to such price may be referred to arbitration but, in the case of an Invoicing Back price, the completion of Invoicing Back shall be without prejudice to the right of either party to refer an issue between them to arbitration under the Rules.

16. WHO MAY TRADE IN THE RING OR ON LME SELECT

16.1 Every Category 1 Member shall nominate one or more Dealers to trade in the Ring on its behalf, and shall at all times be bound by the actions of such Dealer.

16.2 Names and particulars of proposed Dealers shall be submitted in writing to the Exchange which shall have the right to approve or refuse every such application after such consultation with the Ring Committee as it thinks fit.

16.3 A list of Dealers, together with the names of the Category 1 Members whom they represent, shall be made available by the Exchange, together with names of any Dealers authorised since compilation of such list.

16.4 Types of Dealer

16.4.1 There shall be two categories of Dealer, viz Authorised Dealers and Probationary Dealers. Unless the express permission is obtained from the Exchange no Probationary Dealer may trade in the Ring save under the supervision of an Authorised Dealer from the same Member as the Probationary Dealer who has been authorised for a period of not less than one year.

16.4.2 A Probationary Dealer cannot apply for full authorisation until they have dealt in the ring for a period of not less than six months.

16.4.3 If a Probationary Dealer has not gained full authorisation to deal after a period of eighteen months they will be re-registered as a Registered Clerk subject to the discretion of the Ring Committee.

16.5 Qualification requirements for Authorised and Probationary Dealers shall be as prescribed by the Exchange after consultation with the Ring Committee and shall be available on application to the Secretary.

16.6 The names of proposed Authorised and Probationary Dealers shall be published by the Exchange not less than 10 Business Days before each application for authorisation is due for consideration by the Exchange, and during this period any Category 1 Member having any objection to the nominee may communicate the same to the Exchange stating the reasons therefor.

16.7 Any withdrawal of, or withdrawal of authority from, a nominated Dealer of a Category 1 Member shall likewise be communicated immediately to the Exchange, which shall forthwith advise all other Category 1 Members.

16.8 No more than one Authorised Dealer representing a Category 1 Member may trade in the Ring at any one time during official Ring trading sessions.

16.9 No person other than a Dealer or other representative of a Category 1 Member shall be admitted to the Ring or the area adjacent thereto for the purposes of or incidental to trading during Ring or kerb trading sessions unless expressly authorised by, or under the authority of, the Exchange.

16.10 Every LME Select Participant shall nominate one or more Dealers to trade on LME Select on its behalf, and at all times shall be bound by the actions of such Dealers.

16.11 The Exchange will grant each Dealer access to LME Select provided such Dealer has met all the requirements for LME Select access that are set out in the Rules.

16.12 Applications for Dealer authorisation to trade on LME Select shall be submitted by the relevant LME Select Participant, in writing, to the LME who shall have the right to approve or refuse every such application after such due diligence as it deems appropriate.

16.13 Any withdrawal of, or withdrawal of authority from, a nominated Dealer shall likewise be communicated immediately to the Exchange.

17. DISCRETIONARY ACTIONS, EXTERNAL EVENTS AND EMERGENCIES

17.1 In the event of the Special Committee or the Clearing House having cause to suspect the existence or to anticipate the development or likely development of a corner or undesirable situation or undesirable or improper trading practice which in their opinion has affected or is

likely to affect the market, the Special Committee after consultation with the Clearing House may take such steps as in their absolute discretion they deem necessary to contain or rectify the situation and they may give directions to Members accordingly. Such directions to a Member may include, but are not limited to:-

(a) trading out Client Contract positions with one or more particular Clients;

(b) trading out Cleared Contract positions or positions otherwise related to Cleared Contracts; and

(c) reducing its net trading position.

17.2 Without prejudice to the generality of this Trading Regulation, such steps may include the suspension or halting or curtailment of trading for such period or for such Prompt Dates in such metals or Contracts as may be specified or the direction that trading be limited to the liquidation of open Contracts and deferral of settlement of some or all Contracts with Prompt Dates in the current month or in the two succeeding months thereafter, subject to such compensation (if any) as the Special Committee may determine being paid to sellers or buyers.

17.3 Any decision of the Special Committee pursuant to this Trading Regulation shall be effective on the publication of an appropriate Notice by the Exchange and it shall thereafter be incumbent upon the Exchange to ensure that all steps are taken to ensure that normal trading is resumed with the least delay.

17.4 Any Member contravening or failing to comply with any direction or instruction issued under the provisions of Trading Regulations 17.1 to 17.3 above shall be liable to the same sanctions as if a breach of the Rules had been committed by such Member.

17.5 The Exchange may at its absolute discretion suspend or remove a Contract from trading, including where the Exchange has determined that the Contract no longer complies with the Rules or for any other reason.

17.5A Upon becoming aware of significant disruptions to any of the Exchange's systems and/or the Clearing House's systems, which have the potential to impact the orderly functioning of the Exchange, including such disruption caused by any misuse of a computer or system, the Exchange after consultation with the Clearing House may take such steps as in its absolute discretion it deems necessary to contain or rectify the situation and may give directions to Members accordingly. Such steps may include, but are not limited to:

(a) varying the last trading time on the Last Trading Day for a Contract;

(b) inputting any particulars into the Matching System on behalf of a Member in order to result in the Execution of one or more Contracts or to otherwise ensure that such particulars are recorded within the systems of the Exchange and the Clearing House, without liability in damages for anything done or omitted to be done in the exercise of such power unless shown to be in bad faith, and without prejudice to Regulation 19 below; and

(c) deferral of settlement of some or all Contracts with Prompt Dates in the current month or in the two succeeding months thereafter, subject to such compensation (if any) as the Exchange may determine being paid to sellers or buyers.

17.6 Upon the occurrence of any event outside the Exchange which is outside the control of the Exchange, including the commencement of a state of war, revolution, political or economic disturbance or the enactment of legislation or the commencement, suspension or determination of any international agreement, such as may in the opinion of the Exchange prevent free trading in any Contract or so distort the same or the price of any metal (including any Precious Metal), Monthly Average Future, Premium Contract, Warrant, Cash-Settled Future or Cash-Settled Future Index or the level of the Index as no longer to be truly representative of conditions in the international market in any metal, the Exchange shall have the authority to order a complete cessation of trading in such metal, LMEmini Contract, Monthly Average Future, Premium Contract, Warrant, Cash-Settled Future, LMEprecious Future or Index Contract until such time as the Exchange in its absolute discretion deems it appropriate to resume, or to take any of the steps set out in Trading Regulations 17.1 to 17.3 above as it deems necessary at the time. The Exchange shall not take such action as aforesaid without first consulting the Clearing House.

17.7 In the event that a cessation or halting or suspension or limitation of trading in any metal, LMEmini Contract, Monthly Average Future, Premium Contract, Warrant, Cash-Settled Future. LMEprecious Future or Index Contract imposed by the Exchange in accordance with Trading Regulations 17.1 to 17.3 or 17.5 above be such as to prevent delivery of the said metal (including any Precious Metal) or settlement of the said LMEmini Contract, Monthly Average Future, Premium Contract, Warrant, Cash-Settled Future, LMEprecious Future or Index Contract or to prevent the closing of an open position, any open Contracts so affected shall be closed by Invoicing Back to the seller at special settlement prices to be determined by the Exchange on the date of announcement of cessation or halting or suspension or limitation of trading.

17.8 Notwithstanding anything set out in Trading Regulations 17.1 to 17.7 above:

(a) neither the Exchange nor the Special Committee shall be required to exercise their power to suspend or remove from trading any Contract which no longer complies with the Rules, where in their judgment such step would be likely to cause significant damage to the interests of investors or the orderly functioning of the financial markets; and

(b) the Exchange shall suspend or remove from trading a Contract when required to do so by the FCA.

17.9 The Exchange shall notify the FCA of:

(a) any Notice of the suspension or removal from trading of a Contract which no longer complies with the Rules or which is suspended or removed from trading; and

(b) any Notice of the lifting of a suspension or readmission to trading of a Contract that was previously suspended or removed from trading by the Exchange.

17.10 In the event that a Regulator intervenes to prohibit or restrict:

(a) the marketing, distribution or sale of a specific financial instrument or a type of financial instrument with specific features; or

(b) a type of financial activity or practice,

the Exchange may be required to suspend trading activity, whether on a temporary or indefinite basis, in any Contract that is within the scope of the prohibition or restriction. Nothing set out in these Trading Regulations shall restrict the Exchange from complying with any such requirement.

18. LENDING RULES

18.1 Members shall comply with the Lending Rules and shall co-operate with the Exchange to ensure that each of their Clients shall comply with the Lending Rules.

18.2 Where the Exchange has reasonable cause to suspect that a Client has failed or is likely to fail to comply with the Lending Rules, the Exchange may give directions to one or more Members with whom that Client has Client Contracts to take action designed to make the same number of Lots available for borrowing in the market as would have been the case if the Client were prepared to abide by the Lending Rules. Such directions to a Member may include but are not limited to:-

(a) lending or offering to lend, at no more than a level premium, the number of Cleared Contract positions equal to or less than the Client's long position holding of 90% or more as calculated by the Exchange in accordance with the Lending Rules; and/or

(b) lending or offering to lend, at no more than a premium of 0.25% of the previous day's Cash price, the number of Cleared Contract positions equal to or less than the Client's long position holding of 80% or more but less than 90% as calculated by the Exchange in accordance with the Lending Rules; and/or

(c) lending or offering to lend, at no more than a premium of 0.50% of the previous day's Cash price, the number of Cleared Contract positions equal to or less than the Client's long position holding of 50% or more but less than 80% as calculated by the Exchange in accordance with the Lending Rules; and/or

(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.

18.3 Compliance with the Lending Rules is subject to the power of the Special Committee to take steps or give directions under Trading Regulations 17.1 to 17.3 above. Without prejudice to the generality of Trading Regulations 17.1 to 17.3 above, such steps or directions may include suspending, amending or supplementing the Lending Rules for such period or in respect of such metals as the Special Committee in its absolute discretion deems necessary.

19. LIABILITY

Neither the Company nor any of its directors or other officers nor any of its employees nor any member of any committee shall, except in the case of fraud or wilful default, be under any liability whatsoever in contract, in tort (including but not limited to negligence), or under any other theory of law to any Member or other person in respect of the matters set out in Trading Regulations 19.1, 19.2 and 19.3 below:

19.1 Any act or omission relating to duties, powers and/or authorities contained in the Articles or the Rules including in relation to the following:-

(a) the input of prices into the price reporting service or the setting and dissemination of Closing Prices, Settlement Prices or other prices pursuant to the Rules;

(b) the creation, calculation, publication or variation of a price;

(c) the approval or listing of any warehouse or the maintenance of any such listing;

(d) the listing or delisting of any producer or brand of metal or the maintenance of any such listing;

(e) the collection of information and publication of reports in relation to levels of metal stocks represented by Warrants;

(f) the initiation or enforcement of disciplinary or emergency procedures or the exercise of any right to suspend access to any systems or facilities of the Exchange;

(g) any other events not set out in (a) to (f) above.

19.2 Any failure, malfunction, delay or other defect in or affecting any computer system, including LME Select, screens, equipment, telephones or other communications media or facilities used by the Exchange, its Members or others, whether at the Exchange or otherwise.

19.3 Any Agreed Trade that is input into the Matching System by a Registered Intermediating Broker and which is, for any reason, either (i) rejected; or (ii) not approved and/or Executed, including (but not limited to) any circumstance falling within Regulation 19.2 above.

20. POSITION LIMITS

20.1 Members shall comply with and shall co-operate with the Exchange to ensure that each of their Clients shall comply with the Position Limits and any directions issued by the Exchange in accordance with the requirements for such Position Limits as the Exchange may specify in Administrative Procedures or as the Exchange may otherwise notify Members from time to time.

20.2 Compliance with the Position Limits is subject to the power of the Special Committee to take steps or give directions under Trading Regulations 17.1 to 17.3 above. Without prejudice to the generality of Trading Regulations 17.1 to 17.3 above, such steps or directions may include suspending, amending or supplementing the Position Limits for such period or in respect of such metals as the Special Committee in its absolute discretion deems necessary.

20.3 With effect from 3 January 2018, Members shall provide a daily position report to the Exchange in accordance with the format required by the Exchange and other requirements as specified in the relevant Notice from time to time.

20.4 In accordance with their powers of position management under MiFID II, a Regulator may:

(a) request information from a Member or a Client of the Member regarding the size or purpose of a position or exposure under a Contract;

(b) require the Member or Client to reduce the size of, or eliminate, its position or exposure under that Contract; and/or

(c) limit the ability of a Member or Client to enter into commodity derivatives,

and any Member shall comply with any such requests, requirements, or limitations. To the extent that a Member is informed of any exercise of position management powers by a Regulator in relation to its Client, it shall procure that its Client complies with any such requests, requirements, or limitations.

20.5 If a Member becomes aware that it or its Client is the subject of a notice issued by the Regulator in the exercise of its position management powers, the Member must alert the Exchange immediately. The Member shall co-operate with the Exchange to take such action as may be appropriate on the basis of the notice issued by the Regulator, and which may require the Member to reduce the size of, or eliminate, a trading position.

21. CONFORMANCE TESTING, ALGORITHMIC TRADING AND MARKET MAKING

21.1 Prior to any deployment or substantial update of (a) LME Select or (b) a Member's trading system, trading algorithm, or trading strategy, each Member must carry out conformance testing, including the appropriate testing of algorithms, in accordance with the conditions established by Notice from time to time.

21.2 Members must flag orders generated by Algorithmic Trading to the Exchange, identifying:

(a) the different algorithms used for the creation of orders; and

(b) the persons initiating those orders,

such flagging of orders being made in accordance with the relevant requirements established by Notice.

21.3 Where any Member, or any Client of a Member engages in Algorithmic Trading, to pursue a Market Making Strategy:

(a) the Member shall provide, and shall ensure that any such Client provides, market making continuously during the opening hours of the Exchange, with the result of providing liquidity on a regular and predictable basis;

(b) the Member shall, and shall procure that any such Client shall, enter into a market making agreement with the Exchange where required to do so by Regulation 21.4 regarding its obligations in (a) in relation to the Contracts in which it or, where appropriate, its Client, pursues a Market Making Strategy;

(c) the Member must have in place, and ensure that any such Client has in place, the systems and controls required to ensure it performs its obligations under the market making agreement specified in (b); and

(d) the Member shall comply with any additional requirements that the Exchange may specify by Administrative Procedure.

21.4 A Member shall, and shall procure that a Client shall, enter into a market making agreement with the Exchange:

(a) if it or such Client, during half of the trading days over a one-month period, in execution of such Market Making Strategy:

(1) posts Firm Quotes that are simultaneous two-way quotes of comparable size and competitive prices; and

(2) Deals On Own Account in at least one Contract on the Exchange for at least 50 per cent of the daily trading hours of continuous trading at the Exchange, or

(b) where otherwise required to do so pursuant to MiFID II or any law or regulations made pursuant thereto.

21.5 For the purposes of Regulation 21.4:

(a) Firm Quotes shall be deemed to be simultaneous two-way quotes if they are posted in such a way that both the bid and the ask-price are present in the order book at the same time;

(b) two Firm Quotes shall be deemed of comparable size when their sizes do not diverge by more than 50 per cent from each other; and

(c) Firm Quotes shall be deemed to have competitive prices where they are posted within the maximum bid-ask range for the relevant Contract, as specified by the Exchange from time to time by Notice.

21.6 A Member shall not be required to comply with Regulation 21.3(a) if it or, where appropriate, its Client, is unable to provide liquidity on a regular and predictable basis due to the exceptional circumstances listed in Article 3 of Commission Delegated Regulation (EU) 2017/578.

21.7 Where a Member considers that it or, where appropriate, its Client, is unable to comply with its obligation to provide liquidity on a regular and predictable basis due to the exceptional circumstances specified in Article 3(d) of Commission Delegated Regulation (EU) 2017/578 (circumstances preventing prudent risk management practices), it must provide to the Exchange, upon request, evidence satisfactory to the Exchange of such circumstances and how the condition in Article 3(d) is satisfied.

21.8 In order to assist Members to identify such exceptional circumstances, the Exchange will endeavour to determine in its absolute discretion and make public the occurrence of exceptional circumstances falling within Article 3(a), (b), (c), or (e) of Commission Delegated Regulation (EU) 2017/578. In the event of such an occurrence, the Exchange may issue a Notice to Members. The Exchange shall not extend the declaration of such exceptional circumstance beyond the close of the opening hours of the relevant Execution Venue on the Business Day on which the exceptional circumstance(s) occurred unless, in the determination of the Exchange, this is necessary in the circumstances set out in Article 3(b), (c) or (e) of Commission Delegated Regulation (EU) 2017/578.

21.9 Following the ending of any such exceptional circumstances, the Exchange may announce the resumption of normal trading in accordance with its standard procedures.

21.10 This Trading Regulation 21 shall apply with effect from 3 January 2018.

22. ORDER CANCELLATION AND CONTROLS

22.1 Notwithstanding, and without prejudice to, the general power set out at Trading Regulation 1.3, the Exchange may temporarily halt or constrain trading in accordance with the relevant procedures established by Notice if there is a significant price movement during a short period in a financial instrument on the Exchange or a related trading venue (as such term is defined

in Article 4(1)(24) of the MiFID II Directive). Where the Exchange considers it appropriate, the Exchange may cancel, vary or correct any Agreed Trade or Contract.

23. TRANSACTION REPORTING

23.1 The Exchange is required to report to the FCA details of transactions in financial instruments traded on its platform which are executed through its systems by a firm that is not subject to MiFID II. Members shall confirm to the Exchange if they are writing Client Contracts for Clients that are not firms subject to MiFID II and provide details of all Agreed Trades and Contracts in respect of such Clients at the time of submission of the details of the Agreed Trade into the Matching System in accordance with the timescales set out in Trading Regulation 3.5.

23.2 Any Member that is not a firm subject to MiFID II shall:

(a) provide the Exchange with a validated, issued and duly renewed ISO 17442 legal entity identifier code; and

(b) obtain from each of its Clients that is not a firm subject to MiFID II a validated, issued and duly renewed ISO 17442 legal entity identifier code, which the Member shall provide to the Exchange.

23.3 It shall be the responsibility of such a Member to ensure that the reference data related to its legal entity identifier is renewed in accordance with the terms of any of the accredited local operating units of the Global Legal Entity Identifier System, and also to ensure that each of its Clients renews such data.

24. BACKWARDATION CAP AND DELIVERY DEFERRAL POWERS FOR PHYSICALLY DELIVERABLE TOM-NEXT CONTRACTS

Backwardation Cap

24.1 Members shall be prohibited from placing, and shall procure that any order-routing Clients shall not place, Cash Today to Cash Carry orders (known as "Tom-next" orders) on any Execution Venue, at a price in excess of 1% (or such other level as the Exchange may determine in its sole discretion and communicate to the market by Notice from time to time), of the Cash Official Price for the previous Business Day for the relevant Tom-next Contract (the "**Backwardation Cap**").

24.2 Where the Exchange considers it necessary or otherwise prudent to amend the Backwardation Cap, the Exchange shall use reasonable efforts to provide five (5) Business Days' notice of any change to the level at which the Backwardation Cap is set, subject that the Exchange shall have the right to implement changes on such shorter notice as it determines, in its sole discretion, to be necessary in the relevant circumstances.

24.3 In the event that a Member has borrowed above the applicable Backwardation Cap, the borrowing Member must take all reasonable steps to notify the Exchange as soon as possible during the same Business Day in which the Contract has been Executed, by contacting the Exchange.

24.4 Where a Member has borrowed at a price above the Backwardation Cap, the Exchange may price adjust the relevant Contract to the Backwardation Cap level. All counterparties to the price adjusted Agreed Trade or Executed trade, as applicable, shall be issued with instructions

by the Exchange to reverse or cancel and re-book the Agreed Trade or Executed trade, as applicable, at the adjusted price. In this regard, Members are reminded of their obligations under the LME Rules to ensure the confidential treatment of counterparty information.

24.5 For the avoidance of doubt, where a Member has borrowed at a price above the Backwardation Cap, this shall constitute a breach of the Rules by the Member.

Delivery deferral mechanism for short position-holders

24.6 In the event that:

24.6.1 a Member reasonably considers that it is unable to perform any Delivery Obligation to the Clearing House on the date on which such obligation is due to be fulfilled; and (ii) is unable to borrow the relevant Metal at a price that is no more than 1% (or such other level as the Exchange may determine in its sole discretion and communicate to the market by Notice from time to time), of the Cash Official Price for the previous Business Day for the relevant Tom-next Carry, the Member may, as a last resort, request to defer their Delivery Obligation; or

24.6.2 a Member appears (or Members appear) to the Exchange or to the Clearing House unable, or likely to become unable, to perform any Delivery Obligation to the Clearing House, the Exchange may on its own initiative, or following a request of the Clearing House, defer such Delivery Obligation.

24.7 In such circumstances as set out in Trading Regulation 24.6, the Exchange may, after consultation with the Clearing House, subsequently:

(a) direct the Member with the Delivery Obligation to the Clearing House to enter into a Carry, with the effect that the Underlying Asset (as such term is defined in the Clearing House Rules) shall be delivered by such Member on the Business Day next following the Prompt Date;

(b) direct that the buying Member(s), who shall be selected by the Clearing House in accordance with the deferred delivery procedure published on the LME website by the Clearing House from time to time shall be subject to a postponement of the performance by the Clearing House of its Delivery Obligation(s) until a Business Day on which the Clearing House is able to make delivery;

(c) extend the matching deadline set out in the Matching Rules, to facilitate the entry of relevant trades into the Matching System;

(d) direct the imposition of specified adjustments to the terms of:

(i) any Contract or Carry between the Member(s) with the Delivery Obligation and the Clearing House; and/or

(ii) the Contracts between the Clearing House and the affected buying Member(s) where the Delivery Obligation under such Contract has been postponed,

where such adjustments may include, without limitation, adjustments to:

(A) the Contract(s) under paragraph (d)(i) above, in order to give effect to such rate of compensation from the Clearing House to the affected buying Member(s) as the Exchange may determine in its absolute

discretion is appropriate to account for the postponement of the date of performance of the Delivery Obligation under such Contracts; and

(B) any Contract or Carry under paragraph (d)(i) that has the effect of compensating the Clearing House for any compensation to be provided to any affected buying Member(s) under paragraph (A) immediately above,

provided that any such compensation arrangements shall be determined in accordance with the principle that the Clearing House shall be held harmless, by the Member(s) whose inability, or likely inability, to perform a Delivery Obligation, for any compensation afforded to affected buying Members pursuant to the exercise of the powers of the Exchange under this Regulation 24.

24.8 A Member wishing to defer its Delivery Obligation under Regulation 24.6 must notify the Exchange in accordance with such requirements, and by such time on the Business Day prior to the Prompt Date, as published on the LME website from time to time.

24.9 If the Exchange agrees to defer delivery under Regulation 24.6, it shall issue instructions to the Member with the Delivery Obligation and to the buying Member(s) to book Carry trades in the Matching System to give effect to the deferral. In this regard, Members are reminded of their obligations under the LME Rules to ensure the confidential treatment of counterparty information.

24.10 A Member may defer a Delivery Obligation under Regulation 24 as a last resort to avoid breach of its obligations under the Rules and/or the Clearing House Rules. Misuse of the deferral mechanism shall be subject to the Exchange's investigation and enforcement powers.

Supporting provisions

24.11 Capitalised terms used within this Regulation 24 that are defined only in the Clearing House Rules shall have the meaning given to them in the Clearing House Rules.

24.12 In this Regulation 24, a "buying Member" means a Member who has a Receive Entitlement in respect of an Underlying Asset under one or more Contracts that is of the same type as that which would not be delivered to the Clearing House due to failure of the Member to perform a relevant Delivery Obligation, such that the failure of a Member to perform its Delivery Obligation may adversely affect the ability of the Clearing House to perform its own Delivery Obligation to the Member with such Receive Entitlement.

PART 4

CONTRACT REGULATIONS

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21 September 2026

PART 4: CONTRACT REGULATIONS

1. RELATIONSHIP WITH RULES AND REGULATIONS

1.1 These Contract Regulations shall apply to Contracts made subject to the Rules of the Exchange, whether between a Clearing Member and the Clearing House or between a Clearing Member and a Member who is not a Clearing Member or between a Member and any other person.

1.2 Contracts shall in addition be subject to the Trading Regulations and, in case of discrepancy, the Trading Regulations shall prevail over these Contract Regulations. Contracts for Traded Options shall, in addition, be governed by the Traded Options Regulations. Contracts for Monthly Average Futures shall, in addition, be governed by the Monthly Average Future Regulations. Premium Contracts shall, in addition, be governed by the Premium Contract Regulations. LMEprecious Contracts shall, in addition, be governed by the LMEprecious Regulations.

1.3 Any provision of, or any provision incorporated into, any Contract (other than a provision incorporated by virtue of the Clearing House Rules) which purports to exclude or is otherwise in conflict with the Rules shall be void.

1.4 All Agreed Trades must be entered into the Matching System in order to provide evidence to the Clearing House of the Contracts formed pursuant to the Execution of such Agreed Trades. Any dispute as to failure to enter or the reason for non-entry of such Agreed Trades may be referred to arbitration in accordance with the Arbitration Regulations.

1.5 A Member may not enter into a contract expressed to be "subject to the Rules and Regulations of the Exchange" or similar expression unless it is a Contract. Written confirmation of a Client Contract must state clearly and in bold capitals the phrase **"THIS IS AN LME REGISTERED CLIENT CONTRACT".** Written confirmation of an over-the-counter contract in respect of LME-deliverable metal must state clearly and in bold capitals **"THIS IS NOT AN LME REGISTERED CLIENT CONTRACT".**

1.6 Upon Execution of an Agreed Trade, Cleared Contracts shall come into effect in accordance with the Clearing House Rules between the Clearing House and each Clearing Member that was a party to, or responsible for clearing, the Agreed Trade.

1.7 Upon Execution of an Agreed Trade between a Client and a Member, one or more Client Contracts shall automatically and immediately come into effect:

(a) between the Clearing Member responsible for clearing the Agreed Trade and its Client that is party to the Agreed Trade; and

(b) where the Agreed Trade is between a Category 4 Member or LMEprecious Non-Clearing Member and its own Client, between such Member and its Client.

1.8 All Cleared Contracts shall be performed and settled in accordance with the Trading Regulations and the Clearing House Rules. Accordingly, in this Part 4, all references to any category of Contract shall, where that Contract has been registered at the Clearing House, be

construed to include any Cleared Contract that has arisen pursuant to the Clearing House Rules, such that:

(a) references to any type of "Cleared Contract" shall include the Cleared Contracts that have arisen pursuant to the Execution of an Agreed Trade under the Clearing House Rules;

(b) references to any type of "Client Contract" shall:

(i) include the Client Contract to the extent that such remains in force between the parties thereto; and

(ii) not include the Cleared Contracts that correspond to such Client Contract, the settlement and performance of which shall be in accordance with the provisions applying to Cleared Contracts.

2. STATUS OF PARTIES

2.1 All Contracts shall be between the parties acting as principals. Any percentage charged by one party to the other on the price shall, by whatever name called, be regarded as part of the price.

2.2 Any such percentage charged by a Member may be shared with any agent or other person introducing the business.

3. MARGIN CLIENT CONTRACTS

3.1 In the case of any Client Contract between a Clearing Member and a Member who is not a Clearing Member or between a Member and a non-Member, the Clearing Member or, as the case may be, the Member shall have the right at any time or times to require the other party to pay Variation Margin to the Member in cash and/or to deposit with them security in such other form as they may require in order to secure fulfilment by the other party of their obligations under the Contract. If the other party fails to perform this obligation, the Clearing Member or, as the case may be, the Member may immediately appropriate any Variation Margin held and/or realise any security lodged in addition to any other rights they may have under the Contract.

3.2 Variation Margin shall be due on demand and shall be without prejudice to payment of any other sum or provision of other security that may have been agreed between the parties.

4. SETTLEMENT

4.1 Settlement Basis for Different Types of Contracts

(a) Except as provided in the Traded Options Regulations and the Default Regulations, Metal Futures shall be settled by offset or delivery on their Prompt Dates. Metal Options shall be settled by automatic exercise into Metal Futures on their Expiry Day.

(b) Index Futures shall be cash settled on the Settlement Business Day following their Prompt Dates and also daily settled in accordance with the Trading Regulations and, in the case of Cleared Index Futures, the Clearing House Rules.

(c) Index Options shall be cash settled on the Settlement Business Day following their Prompt Date. LMEmini Futures shall be cash settled on their Prompt Date and also

daily settled in accordance with the Trading Regulations and the Clearing House Rules.

(d) Monthly Average Futures shall be cash settled on their prompt date and also daily marked to market in accordance with the Trading Regulations and the Clearing House Rules.

(e) Cash-Settled Futures shall be cash settled on the Settlement Business Day specified in the Special Contract Rules for Cash-Settled Futures and also daily settled in accordance with the Trading Regulations and, in the case of Cleared Cash-Settled Futures, the Clearing House Rules.

(f) Premium Contracts shall be settled in accordance with the Premium Contract Regulations and the Clearing House Rules.

(g) LMEprecious Futures shall be settled by delivery on their Prompt Dates and also daily settled in accordance with Trading Regulation 9 and, in the case of Cleared LMEprecious Futures, the Clearing House Rules.

(h) LMEprecious Options shall be settled by automatic exercise into LMEprecious Futures on their Prompt Date.

4.2 Settlement of Cleared Contracts shall be in accordance with the Trading Regulations and the Clearing House Rules.

4.3 **Offsetting**

4.3.1 Offsetting Client Metal Contracts for the same number of Lots of the same metal and in the same currency and with the same Prompt Date shall be settled in accordance with the Trading Regulations on the Prompt Date, buyer and seller paying or receiving (as the case may be) any difference between the Contract prices in the currency of the Contracts. Non-offsetting Client Metal Contracts shall be performed by delivery.

4.3.2 Premium Contracts shall be subject to offsetting in accordance with the Premium Contract Regulations.

4.4 The application of Regulations 8.7 and 9 of the Trading Regulations and Regulations 4.1, 4.2 and 4.3 above shall not be construed so as to frustrate the application of Regulation 14 of the Contract Regulations and:

(i) a Contract may be subject to Compression notwithstanding that it would otherwise not be settled until the time specified in Regulations 8.7 and 9 of the Trading Regulations and Regulations 4.1, 4.2 or 4.3 above; and

(ii) any reference to the settlement of a Contract shall be construed to mean the settlement of any Post-Compression Client Contract that arises upon Compression of such Contract.

5. **DELIVERY**

5.1 Delivery due under Cleared Metal Future Contracts shall be effected in accordance with the Trading Regulations.

5.2 Delivery due under a Client Metal Future Contract shall be effected on the Prompt Date by delivery of Warrants. Warrants shall be delivered by way of a transfer pursuant to LMEsword in accordance with the LMEsword Regulations and Operating Procedures governing ex-cleared transfers.

5.3 Subject to the Special Contract Rules pertaining to the relevant metal, Warrants shall be for one Lot each.

5.4 In relation to Client Metal Future Contracts, Warrants shall be invoiced and paid for at the Contract weight and at the Settlement Price pertaining to the Prompt Date, buyer and seller paying and receiving (as the case may be) any difference between Settlement Price and Contract price in the currency of the Contract. If the currency of the Contract is not the Major Currency for the relevant metal the Settlement Price may be translated into the currency of the Contract at such rate as the parties may determine.

5.5 In relation to Client Metal Future Contracts weight differences (between Contract weight and actual Warrant weight) shall be settled at the Settlement Price in the Major Currency of the relevant metal. Warehouse rental accruals (where relevant) shall be allowed on the invoice and shall be accounted for in the Major Currency of the relevant metal.

5.6 Delivery of Warrants pursuant to Client Metal Future Contracts shall be effected no later than 09.00 hours where the buyer is a Clearing Member and no later than 13.30 hours where the seller is a Clearing Member (so far as enabled by the Clearing Member's best endeavours). In all other cases delivery under Client Metal Contracts shall be effected at such time on or before the Prompt Date as the parties may agree.

5.7 Warrant weights in all cases shall be accepted as between buyer and seller.

5.8 Delivery due under a Premium Contract shall be effected in accordance with the Premium Contract Regulations.

5.9 Delivery due under Cleared LMEprecious Futures shall be effected in accordance with the Trading Regulations and the Clearing House Rules.

5.10 Delivery due under Client LMEprecious Futures shall be effected on the Prompt Date by the delivery of unallocated Precious Metal corresponding to the number of Lots represented by the Contracts to be settled. The manner of delivery shall be as agreed by the parties or, in the absence of agreement at the seller's option. Precious Metal shall be paid for at the Contract weight and at the LMEprecious Final Settlement Price pertaining to the Prompt Date.

5.11 Delivery of unallocated Precious Metal pursuant to Client LMEprecious Futures shall be effected no later than 16:00 hours where the buyer is an LMEprecious General Clearing Member and no later than 16:00 hours where the seller is an LMEprecious General Clearing Member (so far as enabled by the LMEprecious General Clearing Member's best endeavours). In all other cases delivery under Client LMEprecious Futures shall be effected at such time on or before the Prompt Date as the parties may agree.

5.12 Upon the exercise of an LMEprecious Option (including any Cleared LMEprecious Option and any Client LMEprecious Option), the Option Contract shall expire and shall be replaced by an LMEprecious Future, in accordance with the LMEprecious Option Regulations. Delivery under such an LMEprecious Future shall be due and made in accordance with Regulations 5.9 to 5.11 above.

6. SPECIAL CONTRACT RULES FOR METALS, LMEMINI CONTRACTS, CASH-SETTLED FUTURES AND FOR THE CONSTRUCTION OF THE INDEX

6.1 Quality and other matters dealt with in the Special Contract Rules for the relevant metal shall be as prescribed therein at the time of delivery.

6.2 The Exchange may make additions to, deletions from or modifications to the Special Contract Rules for any metal, such additions, deletions or modifications to take effect from such date as the Exchange may prescribe which shall be not less than three months after announcement thereof. For the avoidance of doubt, the Exchange shall admit new Contracts to trading in accordance with the Exchange's interpretation of applicable legal and regulatory requirements including, but not limited to, relevant MiFID II obligations, and shall admit new Contracts in accordance with its internal procedures for Contract design and admission.

6.3 The terms of Index Futures, including details of the Constituent Metals and the method of calculating the Index, shall be as described in the Special Contract Rules for the Construction of the Index.

6.4 The terms of the Index Options shall be as prescribed in the Index Options Regulations or as otherwise specified by the Exchange.

6.5 The composition and calculation of the Index as provided for in the Special Contract Rules for the Construction of the Index shall be as described therein at the time of settlement of an Index Contract.

6.6 The Exchange may amend the Special Contract Rules for the Construction of the Index, or any other Rules relevant to the calculation of the Index or settlement of an Index Contract, such amendment to take effect from such date as the Exchange may prescribe.

6.7 The terms of LMEmini Futures shall be as prescribed in the Special Contract Rules for LMEmini Contracts or as otherwise specified by the Exchange.

6.8 The Exchange may amend the Special Contract Rules for the LMEmini Contracts, or any other Rules relevant to the trading and/or settlement of an LMEmini Contract, such amendment to take effect from such date as the Exchange may prescribe.

6.9 The terms of Cash-Settled Futures shall be as prescribed in the relevant Special Contract Rules for Cash-Settled Futures or as otherwise specified by the Exchange.

6.10 The Exchange may amend the Special Contract Rules for Cash-Settled Futures, or any other Rules relevant to the trading and/or settlement of a Cash-Settled Future Contract, such amendment to take effect from such date as the Exchange may prescribe.

6.11 The provisions of Regulations 6.1, 6.2, 6.5, and 6.6 to 6.10 above are without prejudice to the powers of the Exchange to make and alter Rules generally.

6.12 In addition to Regulation 6.2, 6.6, 6.8 and 6.10 above, Regulation 15 shall apply to any non-material modifications to the terms of any Contract.

7. WARRANTS

Warrants must be issued by a warehouse listed by the Exchange and have the characteristics prescribed by the Special Contract Rules for the relevant metal.

8. DELIVERY POINTS

8.1 The Exchange may introduce any new Delivery Point with effect from at least three months after announcement of approval of such Delivery Point.

8.2 Good Delivery

8.2.1 Warrants issued by any listed warehouse shall constitute a good delivery with effect from such time as the Exchange may decide after announcement by the Exchange of approval and listing of the said warehouse.

8.2.2 No Warrant shall constitute good delivery where it is marked as "not valid" in the LMEsword System as provided for in the LMEsword Regulations and Operating Procedures. The Exchange shall in addition give notice to Members on any Warrant, Immobilised Warrant or Extracted Warrant being marked "not valid" (or ceasing to be marked "not valid") by publishing a Notice to all Members to that effect.

9. DEFAULT

9.1 The Default Regulations forming Part 9 of the Rules shall apply to all Contracts.

9.2 Upon the happening of an Event of Default in relation to any person (the "**defaulting party**"), including a non-member, who is not

(a) a Category 1, 2 or 4 Member; or

(b) an LMEprecious General Clearing Member or an LMEprecious Non-Clearing Member,

any Category 1, 2 or 4 Member, LMEprecious General Clearing Member or LMEprecious Non-Clearing Member who has open with the defaulting party any Client Contract shall have the right at any time thereafter to close-out the same by selling out or buying in against the defaulting party at the prevailing market price. In the event that this right is invoked, the obligations arising under the Client Contract may, if so provided for in any agreement between the Member and the defaulting party, be terminated upon entering into the closing Contract, except for any settlement payment due from one party to the other in respect of the closed out Contracts.

10. DISPUTES

10.1 Subject as provided in Regulation 10.2, any dispute as to the existence, completion or validity of or arising out of any Contract shall be referred to arbitration in accordance with the Rules.

10.2 Any dispute arising from or in relation to any Cleared Contract shall, unless resolved between the Clearing House and the Clearing Member concerned, be referred to arbitration under the Rules. In that event the provisions of the Clearing House Rules shall apply to such arbitration as if incorporated into Part 8 of the Rules.

10.3 Any dispute arising from or in relation to any Contingent Agreement to Trade shall, unless resolved between the parties, be referred to arbitration under the Rules.

11. GENERAL

11.1 Time shall be of the essence of every Contract, but failure by any party to exercise or enforce any rights shall not be deemed to be a waiver thereof.

11.2 The Rules (which term shall for the purposes of this Regulation 11.2 include all Administrative Procedures and Regulations, as the context may require) and all Agreed Trades, Contingent Agreements to Trade and Contracts, and any non-contractual obligations of any kind arising out of or in relation to the Rules and any Agreed Trades, Contingent Agreements to Trade and Contracts, are governed by, and shall be interpreted and construed in accordance with, English law.

11.3 The courts of England shall have exclusive jurisdiction to settle any dispute arising out of or in connection with these Rules, save for any matter that is dealt with by way of arbitration pursuant to Regulation 10. Each Member irrevocably submits to that jurisdiction for the exclusive benefit of the Exchange and waives any objection on the grounds of venue or forum non conveniens or any similar grounds.

11.4 Any Member that is not incorporated or registered in England and Wales shall at all times appoint and maintain an agent for service of process in England and Wales ("**Service Agent**"). Any such Member shall not revoke the authority of a Service Agent unless it has first notified the Exchange of its replacement Service Agent. If a Service Agent ceases to be able to act as such or ceases to have an address within the jurisdiction of the English courts, the Member shall promptly appoint another Service Agent (with an address for service within the jurisdiction of the English courts). Nothing in the Rules, any Administrative Procedure, any Agreed Trade, any Contingent Agreement to Trade or any Contract shall affect the right of the Exchange to serve process in any other manner permitted by law. Any Member that has appointed a Service Agent pursuant to this Regulation 11.4 shall ensure that the Exchange is at all times in receipt of the full name and address of such Service Agent.

11.5 The provisions of (1) the "Uniform Law on the Formation of Contracts for the International Sale of Goods" and the Convention relating thereto, (2) the "Uniform Law on the International Sale of Goods 1964" and the Convention relating thereto, and (3) the "United Nations Convention on Contracts for the International Sale of Goods of 1980" shall not apply to any Contract.

11.6 Entry into any Contract shall constitute a waiver by both parties thereto of any immunity from suit or arbitral process or execution of any judgement or award on the ground of sovereignty, nationality, domicile, residence or otherwise.

12. TRANSITIONAL PROVISION FOR NON-SEGREGATED CLIENT CONTRACTS

12.1 This provision shall apply to any Client Contract entered into, prior to the date on which this Regulation 12 came into force in its current form (the "EMIR Amendment Date"), as a "Non-Segregated Client Contract", and/or which was treated, in accordance with the Rules in force prior to the EMIR Amendment Date as a "Non-Segregated Client Contract".

12.2 From the EMIR Amendment Date, no "Non-Segregated Client Contract" shall be a Contract for the purpose of, or governed by, these Rules.

12.3 In order for any Non-Segregated Client Contract to be treated as a Contract pursuant to these Rules:

(a) a Counterparty to that Non-Segregated Client Contract must have ensured that a Clearing Member shall have entered such contract into the Matching System as a Client Contract (other than a Non-Segregated Client Contract) on or before EMIR Amendment Date, in accordance with Regulation 3.5 of the Trading Regulations, and including all information required by the Clearing House to allocate such Contract (or the Cleared Contracts arising upon registration of such Client Contract) to either an "omnibus" segregated client account or an "individual client" segregated client account of the Clearing Member; and

(b) the contract must have been accepted by, and registered by, the Clearing House, in accordance with the Clearing House Rules, no later than the EMIR Amendment Date.

12.4 The performance and settlement of any Non-Segregated Client Contract that has ceased to be a Contract under these Rules, in accordance with Regulation 12.2 shall be a matter for the Counterparties thereto and the Exchange shall have no powers, obligations or other responsibilities in respect of such Non-Segregated Client Contracts.

13. PORTING OF UNDERLYING CLIENT CONTRACTS IN THE ABSENCE OF DEFAULT

Where and to the extent that the Clearing House Rules permit the transfer of Client-Related Cleared Contracts either:

(a) between Clearing Members; or

(b) between accounts maintained by a Clearing Member in respect of different Clients,

and such transfers are permitted in circumstances where the Clearing Member that is the party to such Client-Related Cleared Contracts is not a Defaulter, then Regulation 7 of the Default Rules shall apply in respect of the corresponding Underlying Client Contracts and any associated transfer of Warrants, notwithstanding that no party to any such Underlying Client Contract may be a Defaulter.

14. COMPRESSION

14.1 This Regulation 14 shall apply in respect of:

(a) any Clearing Member that has opted, under the Clearing House Rules, to apply Compression to any Client Related Cleared Contracts allocated to any of its client accounts at the Clearing House; and

(b) any Client that is a counterparty to any Client Contract with any such Clearing Member; and

(c) any Client Contract that is an Underlying Client Contract in respect of any Client-Related Cleared Contract that is:

(i) allocated to a client account of the Clearing Member at the Clearing House; and

(ii) subject to Compression at the Clearing House.

14.2 For the avoidance of doubt, this Regulation 14 shall not apply to any Compression at the Clearing House of any Cleared Contract that is allocated to a house account of a Clearing Member at the Clearing House.

14.3 In the event that any Client-Related Cleared Contracts that are allocated to a client account of a Clearing Member at the Clearing House are subject to Compression at the Clearing House, the Underlying Client Contracts shall also be automatically and simultaneously subject to Compression under the Exchange Rules, on the following basis:

(a) the Clearing Member and the Client (each acting as principal) shall be released from further obligations towards one another under such Underlying Client Contracts and their respective rights against one another under such Contracts shall be cancelled; and

(b) simultaneously, new Post-Compression Client Contracts shall, by operation of this Regulation, come into full force and effect between the Clearing Member and the Client, such that the Clearing Member and the Client (each acting as principal) shall assume obligations towards one another and/or acquire rights against one another under the Post-Compression Client Contracts; and

(c) such Post-Compression Client Contracts shall represent back-to-back Contracts to each Post-Compression Cleared Contract that is in effect following the Compression at the Clearing House, such that:

(i) for each Post-Compression Cleared Contract, there shall be a corresponding Post-Compression Client Contract, having:

(1) the same direction; and

(2) the same commercial terms, including in relation to the amount of underlying metal and prices; and

(ii) the Variation Margin applicable to a Post-Compression Client Contract shall be the net of the Variation Margin amounts applicable to the Underlying Client Contracts immediately prior to Compression under the Exchange Rules,

save that Compression at the Exchange shall not affect any terms or contractual rights or obligations between the Clearing Member and the Client that were not comprised in the terms of any Underlying Client Contract that was subject to Compression under the Exchange Rules.

14.4 Each Clearing Member that opts, under the Clearing House Rules, to apply Compression to any Client Related Cleared Contracts allocated to any of its client accounts at the Clearing House must:

(a) have ensured that, prior to the implementation of any Compression at the Clearing House, its terms of business or other contractual arrangements with the relevant Clients contain provisions that operate in a manner that is consistent with this Regulation 14, and do not contain provisions which would conflict with or frustrate the Compression of any Underlying Client Contract in accordance with this Regulation 14;

(b) ensure that any Client that is party to an Underlying Client Contract that is or may be subject to Compression under the Exchange Rules:

(i) is notified of the fact that such Compression may occur, and when such Compression will take effect; and

(ii) upon Compression under the Exchange Rules, is promptly notified of the effect of Compression, such that the Client is at all times on notice of the Client Contracts (including the Post-Compression Client Contracts) that are in force between the Clearing Member and the Client;

(c) ensure that its books and records relating to the Client Contracts and Cleared Contracts to which it is a party are at all times reconciled and up to date, such that it is at all times possible to identify which Cleared Contract (including a Post-Compression Client Contract) represents the clearing of which Client Contract (including a Post-Compression Cleared Contract); and

(d) promptly upon request by the Exchange or Clearing House provide a copy of such books and records described in (c) above, in such a format that would easily enable Compression Client Contracts) with the corresponding Cleared Contracts (including the Post-Compression Cleared Contracts).

15. NEW CONTRACTS AND NON-MATERIAL AMENDMENTS TO EXISTING CONTRACTS

15.1 The Exchange may introduce new types of Contract ("**New Contracts**"), or make non-material modifications to the specifications of existing Contracts ("**Non-Material Amendments**") from time to time, in accordance with the following process. This process shall not apply to any material modification of the features of any Contract that is, at the relevant time, already a Contract under the Rules.

15.2 The Exchange may introduce a New Contract or a Non-Material Amendment by providing, by way of Notice, the following information to Members:

(a) the specifications of such New Contract or Non-Material Amendment;

(b) the changes to these Rules that the Exchange proposes to apply in order to facilitate the introduction of such New Contract or Non-Material Amendment, including:

(i) the addition of new "Special Contract Rules" for the New Contract in Part 6 to this Rulebook and/or the addition of a new Part or sub-section to any existing Part of these Rules to introduce new Regulations specific to the New Contract; or

(ii) the amendment of any Rule to reflect a Non-Material Amendment; and

(iii) any additional changes to these Rules to facilitate the introduction of the New Contract or Non-Material Amendment;

(c) any Administrative Procedures, or amendments to existing Administrative Procedures that the Exchange proposes to apply in order to facilitate the introduction of such New Contract or Non-Material Amendment;

(d) any additional requirements to be satisfied in order to enable a Member to trade or clear the New Contract or Non-Material Amendment (including, without limitation, any operational requirements and any fees specific to the New Contract or Non-Material Amendment); and

(e) the date from which the changes to the Rules and / or Administrative Procedures shall come into effect and, if different, the date from which the New Contract shall be available for trading. The Exchange may, by the provision of a subsequent Notice, postpone such dates, where the Exchange deems appropriate.

15.3 The Exchange shall provide Members with such advance notice of the dates specified pursuant to Rule 15.2(e) above as the Exchange considers reasonable and appropriate having regard to the circumstances.

15.4 Any changes to the Rules and / or Administrative Procedures shall come into effect from the date(s) specified pursuant to Rule 15.2(e).

15.5 The Exchange shall not consult with Members in advance of the introduction of any New Contract or Non-Material Amendment unless, and except to the extent that:

(a) the Exchange considers that, in the context of the circumstances of the introduction of the New Contract Non-Material Amendment, it would be required by law or regulation to do so (including the Recognition Requirements Regulations and REC); or

(b) the Exchange is required to do so by a Regulator;

(c) the Exchange, in its absolute discretion, considers it prudent or appropriate to do so.

PART 5

TRADED OPTIONS REGULATIONS

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21 September 2026

PART 5A: METAL OPTIONS REGULATIONS

1. RELATIONSHIP WITH TRADING REGULATIONS

1.1 The Trading Regulations and the Contract Regulations shall, unless otherwise provided in these Metal Options Regulations or unless the context otherwise requires, apply to Metal Options.

1.2 The Clearing House Rules shall apply to Cleared Contracts that arise pursuant to the registration of Cleared Metal Options or Client Option Contracts with the Clearing House.

1.3 References in this Part 5A to Metal Options or any "Contracts" relating to such Metal Options shall be construed to include any Cleared Contract that has arisen pursuant to the registration of the Metal Option at the Clearing House (provided that Cleared Contracts that arise pursuant to the registration of Metal Options that are Client Contracts shall be treated in the same way as Cleared Contracts that arise pursuant to the registration of Cleared Metal Options).

2. PERMITTED OPTIONS AND SPECIFICATIONS

2.1 **Types of Metal Option:** Metal Options shall be available in respect of such metals and denominated in such currencies as may from time to time be prescribed by the Exchange. The months traded, Strike Price gradations and numbers and sequences above and below the Strike Price closest to the current market price shall be determined by the Exchange from time to time after consultation with the Clearing House and shall be published by the Exchange.

2.1.1 **Underlying Contract, Lot Size and Maturity:**

The underlying Contract, Lot size and maturity for each Metal Option shall be as follows:

Contract	Underlying Contract	Lot size	Maturities	Code
Aluminium Metal Option	LME Aluminium Metal Futures – third Wednesday Prompt Date of the relevant maturity month	25 tonnes	Monthly out to 63 months	AH
Copper Metal Option	LME Copper Metal Futures – third Wednesday Prompt Date of the relevant maturity month	25 tonnes	Monthly out to 63 months	CA
Zinc Metal Option	LME Zinc Metal Futures – third Wednesday Prompt Date of the relevant maturity month	25 tonnes	Monthly out to 27 months	ZS
Nickel Metal Option	LME Nickel Metal Futures – third Wednesday Prompt Date of the relevant maturity month	6 tonnes	Monthly out to 27 months	NI
Lead Metal Option	LME Lead Metal Futures – third Wednesday Prompt	25 tonnes	Monthly out to 15 months	PB

	Date of the relevant maturity month			
Tin Metal Option	LME Tin Metal Futures – third Wednesday Prompt Date of the relevant maturity month	5 tonnes	Monthly out to 15 months	SN
Aluminium Alloy Metal Option	LME Aluminium Alloy Metal Futures – third Wednesday Prompt Date of the relevant maturity month	20 tonnes	Monthly out to 27 months	AA
NASAAC Metal Option	LME NASAAC Metal Futures – third Wednesday Prompt Date of the relevant maturity month	20 tonnes	Monthly out to 27 months	NA

2.1.2 **Expiry Day and Time:** The Expiry Day for a Metal Option shall be the Business Day which, for a particular Metal Option, is the first Wednesday in the relevant month or, if that is not a Business Day, the next day which is a Business Day. The Expiry Time for a Metal Option shall be the point in time on the Expiry Day at which, following its determination by the Quotations Committee, the relevant Exchange Reference Price is recorded by the Exchange within the Exchange's pricing system.

2.2 **Tradeable Metal Options and Prompt Dates for related Metal Futures:** Subject where relevant to Regulation 8 of the Trading Regulations, Prompt Dates for Metal Futures resulting from the exercise of Metal Options shall be the third Wednesday in the relevant month or, if that day is not a Business Day, the next succeeding day which is a Business Day.

2.3 **Last Trading Date and Time:** Trading may be conducted, in respect of any Metal Option authorised by the Traded Options Committee, until 18:00 on the Last Trading Day for such Metal Option. A new month for the metal concerned will become available for trading at the opening of business on the Business Day following the Expiry Day.

2.4 **Permitted spreads and minimum fluctuations:** The minimum permitted spread between buyers' and sellers' premiums bid or offered in respect of Cleared Metal Options, and the minimum fluctuation in such premiums, shall be at such levels as the Exchange may from time to time prescribe according to the currency in which the Metal Option is denominated.

2.5 **Registration of Metal Options:** All Metal Options shall be input into the Matching System and registered as such with the Clearing House, subject to and in accordance with the Trading Regulations and the Clearing House Rules.

3. SETTLEMENT BASIS: AUTOMATIC EXERCISE INTO UNDERLYING METAL FUTURE

3.1 Metal Options are European-style options.

3.2 A Metal Option shall be automatically exercised on its Granter at the Expiry Time on the Expiry Day for the relevant Metal Option if at that time it is:

(a) either a Call Option or a Put Option and is In the Money; or

(b) a Call Option and is At the Money,

and in each case forms part of a Member's open registered position with the Clearing House.

3.3 The Clearing House shall endeavour to notify the relevant Granter promptly following 18:50 hours on the Exercise Day which of their Metal Options have been exercised.

3.4 Notification of automatic exercise of a Client Option Contract shall be made in such manner as has been agreed between Granter and Taker.

3.5 Any Metal Option described in Regulations 3.1 to 3.4 above that is not exercised as prescribed shall be deemed after its Expiry Time on its Expiry Day to have been abandoned.

4. EXERCISE REFERENCE PRICE

4.1 The Exercise Reference Price for Metal Options shall be the Settlement Price determined by the Exchange at, or around, 17:50 hours on the Expiry Day (or such later time on the Expiry Day that the Exchange may specify by Notice), where such Settlement Price shall be the “M1” Closing Price, determined in accordance with the applicable Pricing Methodology. Such Closing Price shall be published by the Exchange following its determination.

5. EFFECT OF AUTOMATIC EXERCISE

5.1 On the automatic exercise of a Metal Option on the Expiry Day, a Metal Future Contract shall arise between Granter and Taker of the exercised Metal Option, the price of such Metal Future Contract being the Strike Price in the Metal Options Contract.

5.2 Metal Futures Contracts which arise on exercise of a Metal Option shall be settled in accordance with the Trading Regulations and the relevant Special Contract Rules.

5.3 Offsetting Cleared Metal Option Contracts of a Clearing Member for the same quantity, metal, Strike Price, type, month and currency shall be closed automatically by the Clearing House in accordance with the Clearing House Rules, and all rights and obligations attaching to or arising from those Cleared Metal Option Contracts will terminate. The provision of this Regulation 5.3 shall be applied separately to each relevant account of the relevant Clearing Member at the Clearing House (which may, for the avoidance of doubt, include a "house" or "proprietary" account and a "client" account that is either segregated on an "omnibus" basis or an "individual client" basis).

5.3.1 On the exercise of a Client Metal Option where either the Granter or the Taker is a Clearing Member, the Clearing Member must record a Cross in relation to the Metal Futures Contract resulting from the said exercise.

5.3.2 On the exercise of a Client Metal Option where neither party is a Clearing Member then each Trading-Only Member must arrange for a Clearing Member to record a Cross in relation to that exercise.

5.4 Offsetting Client Metal Option Contracts for the same quantity, metal, Strike Price, type, month and currency shall be closed automatically unless otherwise agreed between the Granter and the Taker as the Taker otherwise requests at or before the time when the offsetting Metal Option is granted.

6. PREMIUMS

6.1 The amount of the premium payable on opening every Metal Option Contract shall be the premium input into the Matching System, as determined via LME Select or by the Granter and the Taker in the inter-office market.

6.2.1 Payment of the premium by the Taker of a Cleared Metal Option to the Granter shall be effected through the payment system, in accordance with the Clearing House Rules, prior to 12.00 hours on the next Business Day following the day on which the Metal Option is traded.

6.2.2 Payment of the premium by the Taker of a Client Metal Option to the Granter shall be effected prior to 12.00 hours on the next Business Day following the day on which the Metal Option is traded.

6.3 The Taker of a Cleared Metal Option may apply the value of such Metal Option as determined by the Clearing House against Variation Margin due to the Clearing House in respect of open Cleared Contracts of the said Taker, subject to, and in accordance with the Clearing House Rules.

6.4 The Taker of a Cleared Metal Option or Client Metal Option shall not be permitted to receive cash payment in respect of any positive value of such Metal Option nor apply any credit arising therefrom to the purchase of another Option Contract.

6.5 For the avoidance of doubt, this Regulation 6 has no relevance to any premium (including any Premium Contract Price) under a Premium Contract.

7. TRANSITIONAL PROVISIONS – TRANSITION OF MANUALLY EXERCISING AMERICAN METAL OPTIONS TO AUTOMATICALLY EXERCISING EUROPEAN METAL OPTIONS

7.1 With effect from the Implementation Time on the Implementation Date, the amendments to this Part 5A of the Rules, and amendments to any related Regulations, as set out in Notice 26-064 shall take effect in relation to:

7.1.1 all open Metal Option Contracts (being Metal Option Contracts that were Executed prior to, and have not been exercised, settled, closed out or traded out of at, the Implementation Time on the Implementation Date) ("**Affected Metal Options**");

7.1.2 all Metal Options that are not Affected Metal Options (being Metal Options that are Executed after the Implementation Time on the Implementation Date); and

7.1.3 all Contingent Agreements to Trade and Agreed Trades entered into prior to the Implementation Time on the Implementation Date and that have not, as at the Implementation Time, resulted in a Metal Option Contract ("**Affected Contingent Agreements to Trade**" and "**Affected Agreed Trades**", respectively),

as applicable.

7.2 With effect from the Implementation Time on the Implementation Date, and immediately following amendments to the Rules set out in Regulation 7.1 above taking effect,

(a) all Affected Metal Options shall be amended as follows:

(i) Affected Metal Options shall cease to be American style options and shall instead become European style options, exercisable only on the Expiry Day;

(ii) Affected Metal Options shall be subject to automatic exercise in accordance with the provisions of this Part 5A (as amended by Regulation 7.1 above);

(iii) Affected Metal Options shall be automatically exercised or automatically abandoned by reference to the Exercise Reference Price;

(iv) the Expiry time on the Expiry Day shall be as set out in Regulation 2.1.2 of this Part 5A, as amended pursuant to Regulation 7.1 above, and

(b) all Affected Contingent Agreements to Trade and Affected Agreed Trades shall be amended such that Affected Contingent Agreements to Trade and Affected Agreed Trades shall cease to result in American style options (once the relevant Agreed Trade is Executed), and shall instead result in European style options, exercisable only on the Expiry Day as set out in Regulation 7.2(a)(ii) to (iv) above.

7.3 The Exchange shall communicate the Implementation Date and Implementation Time by Notice, with such communication date being the "**Transitional Notification Date**". Following the Transitional Notification Date, the Exchange may from time to time, by Notice, defer the Implementation Date and/or the Implementation Time to a later designated date or time, in its discretion.

7.4 Members shall take all steps necessary to ensure that they are able to discharge their obligations in respect of the Affected Contingent Agreements to Trade, Affected Agreed Trades and Affected Metal Options on the Implementation Date and on an ongoing basis thereafter, as applicable.

7.5 The Exchange may, acting reasonably, direct Members to take specific actions in order to facilitate the Transitional Changes set out in Regulation 7.2 above. For the avoidance of doubt, the Exchange shall be permitted to direct Members to take actions including, but not limited to, making any required changes or upgrades to their systems, and making any required amendments to their Client terms of business, to facilitate the Transitional Change.

7.6 For the avoidance of doubt, in the event that a Member that holds an Affected Contingent Agreement to Trade, Affected Agreed Trade or Affected Metal Option, or whose Client holds an Affected Contingent Agreement to Trade, Affected Agreed Trade or Affected Metal Option, continues to hold an Affected Contingent Agreement to Trade, Affected Agreed Trade or Affected Metal Option at the Implementation Time on the Implementation Date, the Member (or Client, as applicable) shall be deemed to have consented to the Transitional Changes set out in Regulation 7.2 above resulting in the amendment of their Affected Contingent Agreement to Trade, Affected Agreed Trade or Affected Metal Option(s), as applicable.

PART 5B: TRADED AVERAGE PRICE OPTIONS REGULATIONS

1. RELATIONSHIP WITH TRADING REGULATIONS

1.1 The Trading Regulations and the Contract Regulations shall, unless otherwise provided in these Traded Average Price Options Regulations or unless the context otherwise requires, apply to Traded Average Price Option Contracts.

1.2 The Clearing House Rules shall apply to Cleared Contracts that arise pursuant to the registration of Exchange Traded Average Price Options or Client Traded Average Price Options with the Clearing House.

1.3 References in this Part 5B to Traded Average Price Options or any "Contracts" relating to such Traded Average Price Options shall be construed to include any Cleared Contract that has arisen pursuant to the registration of the Traded Average Price Option at the Clearing House (provided that Cleared Contracts that arise pursuant to the registration of Client Traded Average Price Options shall be treated in the same way as Cleared Contracts that arise pursuant to the registration of Exchange Traded Average Price Options).

2. PERMITTED TRADED AVERAGE PRICE OPTIONS

2.1 Traded Average Price Option Contracts shall be available in respect of such metals and denominated in such currencies as may from time to time be prescribed by the Exchange. The months traded, Strike Price gradations and numbers and sequences above and below the Strike Price closest to the current market price shall be determined by the Exchange from time to time after consultation with the Clearing House and shall be published by the Exchange.

2.2 Trading may be conducted, in respect of any Traded Average Price Option authorised by the Exchange in consultation with the Traded Options Committee, until the close of business on the Last Trading Day for such Traded Average Price Option. A new month for the metal concerned will become available for trading at the opening of business on the Business Day following the Declaration Day.

2.3 The minimum permitted spread between buyers' and sellers' premiums bid or offered in respect of Exchange Traded Average Price Options, and the minimum fluctuation in such premiums, shall be at such levels as the Exchange may from time to time prescribe according to the currency in which the Traded Average Price Option is denominated.

2.4 All Traded Average Price Options shall be input into the Matching System and registered as such with the Clearing House, subject to and in accordance with the Trading Regulations and the Clearing House Rules.

3. DECLARATION

3.1 Subject where relevant to Regulation 8 of the Trading Regulations, Prompt Dates for futures Contracts resulting from declarations under Traded Average Price Option Contracts shall be the second Business Day following the Declaration Day for the relevant tradeable month.

3.2 The declaration of an Exchange Traded Average Price Option shall be deemed to have been made on the Clearing House by a Clearing Member Taker at 15.00 hours on the Declaration Day for the relevant Traded Average Price Option if it is In The Money and forms part of that Member's open registered position as at the close of business on the preceding Business Day. The declaration shall be accepted and made by the Clearing House no later than 15.00 hours

on the Declaration Day for the relevant Traded Average Price Option and it shall use its best endeavours to notify the relevant Granter no later than 15.00 hours on the Declaration Day provided however that Granters shall be obliged to accept later declarations if made in accordance with the Clearing House Rules.

3.3 The declaration of a Client Traded Average Price Option shall be deemed to have been made on the Granter by the Taker at 15.00 hours on the Declaration Day for the relevant Traded Average Price Option if it is In The Money and notification of the said declaration shall be made in such manner as has been agreed between them.

3.4 Any Traded Average Price Option described in Regulations 8.2 and 8.3 above not declared as above prescribed shall be deemed to have been abandoned.

4. **EFFECT OF DECLARATION**

4.1 Traded Average Price Options are European-style options.

4.2 On the declaration of a Traded Average Price Option two futures Contracts each for the full tonnage of the Contract shall arise between Granter and Taker of the declared Traded Average Price Option:-

4.2.1 in the case of a declared Average Price Call Option, the Taker will buy from the Granter at the Strike Price in the Traded Average Price Options Contract and sell to the Granter at the Monthly Average Settlement Price for the relevant month;

4.2.2 in the case of a declared Average Price Put Option, the Taker will sell to the Granter at the Strike Price in the Traded Average Price Options Contract and buy from the Granter at the Monthly Average Settlement Price for the relevant month.

4.3 Futures Contracts which arise on declaration of a Traded Average Price Option shall be settled in accordance with the Trading Regulations.

4.4 Offsetting Exchange Traded Average Price Option Contracts of a Clearing Member for the same quantity, metal, Strike Price, type, month and currency shall be closed automatically by the Clearing House in accordance with the Clearing House Rules, and all rights and obligations attaching to or arising from those Exchange Traded Average Price Options Contracts will terminate. The provision of this Regulation 9.4 shall be applied separately to each relevant account of the relevant Clearing Member at the Clearing House (which may, for the avoidance of doubt, include a "house" or "proprietary" account and a "client" account that is either segregated on an "omnibus" basis or on an "individual client" basis).

4.4.1 On the declaration of a Client Traded Average Price Option where either the Granter or the Taker is a Clearing Member, the Clearing Member must record Crosses in relation to the futures Contracts resulting from the said declarations.

4.4.2 On the declaration of a Client Traded Average Price Option where neither party is a Clearing Member then each relevant Trading-Only Member must arrange for a Clearing Member to record Crosses in relation to that declaration.

4.5 Offsetting Client Average Price Contracts for the same quantity, metal, Strike Price, type, month and currency shall be closed automatically unless otherwise agreed between the Granter and the Taker as the Taker otherwise requests at or before the time when the offsetting Traded Average Price Option is granted.

5. PREMIUMS

5.1 The amount of the premium payable on opening every Traded Average Price Option shall be the premium input into the Matching System, as determined via LME Select or by the Granter and the Taker in the inter-office market.

5.1.1 Payment of the premium by the Taker of an Exchange Traded Average Price Option to the Granter shall be effected through the payment system, in accordance with the Clearing House Rules, prior to 12.00 hours on the next Business Day following the day on which the Traded Average Price Option is traded.

5.1.2 Payment of the premium by the Taker of a Client Traded Average Price Option to the Granter shall be effected prior to 12.00 hours on the next Business Day following the day on which the Traded Average Price Option is traded.

5.2 The Taker of an Exchange Traded Average Price Option may apply the value of such Traded Average Price Option as determined by the Clearing House against Variation Margin due to the Clearing House in respect of open Cleared Contracts of the said Taker, subject to, and in accordance with the Clearing House Rules.

5.3 The Taker of an Exchange Traded Average Price Option or Client Traded Average Price Option shall not be permitted to receive cash payment in respect of any positive value of such Traded Average Price Option nor apply any credit arising therefrom to the purchase of another Traded Average Price Option.

5.4 For the avoidance of doubt, this Regulation 10 has no relevance to any premium (including any Premium Contract Price) under a Premium contract.

PART 5C: INDEX OPTIONS REGULATIONS *[CONTRACT NOT CURRENTLY AVAILABLE]*

1. RELATIONSHIP WITH TRADING REGULATIONS

1.1 The Trading Regulations and the Contract Regulations shall, unless otherwise provided in these Index Options Regulations or unless the context otherwise requires, apply to Index Options.

1.2 The Clearing House Rules shall apply to Cleared Contracts that arise pursuant to the registration of Cleared Index Options with the Clearing House.

1.3 References in this Part 5C to "Index Options" or any "Contracts" relating to such Index Options shall be construed to include any Cleared Contract that has arisen pursuant to the registration of the Index Option at the Clearing House (provided that Cleared Contracts that arise pursuant to the registration of Client Index Options shall be treated in the same way as Cleared Contracts that arise pursuant to the registration of Cleared Index Options).

2. PERMITTED OPTIONS

2.1 Index Options shall be available in respect of such contract sizes as may from time to time be prescribed by the Exchange but shall be traded in US dollars only. The months traded, Strike Price gradations and numbers and sequences above and below the Strike Price closest to the current market price and any other specifications shall be determined by the Exchange from time to time after consultation with the Clearing House and shall be published by the Exchange.

2.2 Trading may be conducted, in respect of any Index Option authorised by the Traded Options Committee, until 16.35 hours on the Last Trading Day for such Index Option. A new month for the Index Option concerned will become available for trading at the opening of business on the Business Day following the Prompt Date.

2.3 The minimum permitted spread between buyers' and sellers' premiums bid or offered in respect of Cleared Index Options, and the minimum fluctuation in such premiums, shall be at such levels as the Exchange may from time to time prescribe.

2.4 All Index Options shall be input into the Matching System and registered as such with the Clearing House, subject to and in accordance with the Trading Regulations and the Clearing House Rules.

3. AUTOMATIC EXERCISE

3.1 Index Options are European-style options.

3.2 A Cleared Index Option shall be automatically exercised on its Granter at about 19.15 hours on the Prompt Date for the relevant Index Option if at that time it is In the Money and forms part of a Member's open registered position with the Clearing House.

3.3 A Client Index Option shall automatically exercise on its Granter at about 19.15 hours on the Index Exercise Date for the relevant Index Option if at that time it is In The Money.

3.4 Notification of automatic exercise of a Client Index Option shall be made in such manner as has been agreed between Granter and Taker.

3.5 Any Index Option not exercised as prescribed shall be deemed after its Prompt Date to have been abandoned.

4. EFFECT OF AUTOMATIC EXERCISE

4.1 On the automatic exercise of an Index Option on the Prompt Date it shall settle in cash as described in the Trading Regulations.

5. PREMIUMS

5.1 The amount of the premium payable on opening every Index Option shall be the premium input into the Matching System, as determined via LME Select or by the Granter and the Taker in the inter-office market.

5.1.1 Payment of the premium by the Taker of a Cleared Index Option to the Granter shall be effected through the payment system, in accordance with Clearing House Rules, prior to 12.00 hours on the next Business Day following the day on which the Index Option is traded.

5.1.2 Payment of the premium by the Taker of a Client Index Option to the Granter shall be effected prior to 12.00 hours on the next Business Day following the day on which the Index Option is traded.

5.2 The Taker of a Cleared Index Option may apply the value of such Index Option as determined by the Clearing House against Variation Margin due to the Clearing House in respect of open Cleared Contracts of the said Taker, subject to, and in accordance with the Clearing House Rules.

5.3 The Taker of a Cleared Index Option or Client Index Option shall not be permitted to receive cash payment in respect of any positive value of such Option nor apply any credit arising therefrom to the purchase of another Index Option.

5.4 For the avoidance of doubt, this Regulation 15 has no relevance to any premium (including any Premium Contract Price) under a Premium Contract.

Part 6

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PART 6

SPECIAL CONTRACT RULES FOR HIGH GRADE PRIMARY ALUMINIUM

1. QUALITY

The aluminium delivered under this contract must:

(a) be:

(i) Primary aluminium with impurities no greater than in the registered designation P1020A in the North American and International Registration Record entitled "International Designations and Chemical Composition Limits for Unalloyed Aluminum" (revised January 2018), or

(ii) Primary aluminium that conforms to the registered designation Al99.70 in the GB/T 1196-2018 Standard entitled "Unalloyed aluminium ingots for remelting", or

(iii) For warrants created up to and including 31 December 2009 primary aluminium of minimum 99.70% purity with maximum permissible iron content 0.20% and maximum permissible silicon content 0.10%.

(b) be in the shape of ingots each weighing not less than 9 kilos and not more than 26 kilos and T-bars or sows weighing not more than 788 kilos.

(c) be of brands listed in the LME approved list.

2. SIZE OF LOT

25 tonnes (2% either more or less).

3. WARRANTS

3.1 Warrants shall be for 25 tonnes (2% either more or less).

3.2 The aluminium in each Warrant shall consist of one brand which is listed as being good delivery, and of one shape and dimension, subject, in the case of ingots, to the necessity of including different shapes and dimensions at the bottom of each bundle for the purpose of stability and must be in bundles not exceeding 2.0 tonnes securely strapped for safe handling and transport without bundle distortion and breakage.

3.3 Each Warrant shall state:

(a) the name of the brand;

(b) the country / region of origin;

(c) the shape;

(d) the date(s) and reference number(s) of the certificate(s) of analysis lodged with the Warehouse;

(e) the weight;

(f) the number of bundles of ingots or the number of T-bars or sows making up each lot.

3.4 Each Warrant must bear the following clause;

WARNING: the buyer is advised that this metal may contain crevices and hidden recesses holding entrapped moisture. The metal should be handled and processed with this possibility in mind. Entrapped moisture may cause an explosion if the metal is introduced into a melting furnace without proper drying.

4. CERTIFICATES OF ANALYSIS

Requirement for eCOA to place metal on Warrant

4.1 Each delivery of a Lot of aluminium to a Warehouse for placing on Warrant must be accompanied by an eCOA in order for the Warehouse to be able to place such metal on Warrant.

4.2 Where the aluminium comprising the relevant Lot was produced on or after a date to be specified by the Exchange by way of Notice, in order for such Lot to be warrantable, the Lot of aluminium must be accompanied by an Enhanced eCOA and a completed LME Carbon Adjustment Mechanism ("CBAM") emissions reporting form, as specified by the Exchange by way of Notice. The Exchange may update the CBAM emissions reporting form from time to time by way of Notice.

4.3 With effect from the date specified by way of Notice pursuant to Special Contract Rule 4.2 above, where a Warehouse is unable to identify the production date of a Lot of aluminium and the relevant Lot is not accompanied by an eCOA, the Warehouse is permitted to produce a Basic eCOA pursuant to the terms of any agreements between the Exchange and the relevant Warehouse. In such circumstances, the Warehouse may place such Lot on Warrant following the creation of such Basic eCOA.

Voluntary creation of an eCOA (metal produced before the date specified by way of Notice pursuant to Special Contract Rule 4.2 above)

4.4 For metal produced before the date specified by way of Notice pursuant to Special Contract Rule 4.2 above and where an Enhanced eCOA has not been created in respect of the underlying metal by its producer, a Basic eCOA may be produced by one of the following:

(a) Members, pursuant to Special Contract Rule 4.7 below;

(b) Warehouses, pursuant to the terms of any agreements between the Exchange and the relevant Warehouse (including but not limited to the Warehouse Agreement);

(c) the producer of the underlying metal; or

(d) any other categories of persons or entities as the Exchange may specify from time to time.

For these purposes, each of the above shall be able to upload Paper COAs into the eCOA System for the purposes of producing the Basic eCOA.

Requirements for Production of an eCOA

4.5 In order to be a valid eCOA, any eCOA that is produced in respect of aluminium must demonstrate compliance with one of the relevant standard and grades listed in Special Contract Rule 1(a)(i) or (ii) by illustrating the detected level of impurity for each element. Warrants created up to and including 31 December 2009, may additionally demonstrate compliance with the standard and grade listed in Special Contract Rule 1(a)(iii). In all cases, it must be possible to cross-reference the production cast reference on the metal to identical numbers on the eCOA.

4.6 An Enhanced eCOA for a Lot of aluminium may only be created by the producer of the metal. Any eCOA created by a producer of metal which is produced on or after the date specified by way of Notice pursuant to Special Contract Rule 4.2 above must be an Enhanced eCOA.

4.7 Where a Member (or any other person) elects to produce a Basic eCOA, it must:

(a) upload the complete and correct Paper COA relating to the underlying metal;

(b) enter the correct information into the eCOA System as requested by the eCOA System for the purposes of creating the Basic eCOA and as specified by the Exchange from time to time; and

(c) use all reasonable skill, care and attention when using the eCOA System.

5. ADDITIONAL REQUIREMENTS FOR ALUMINIUM WARRANTS

5.1 The listed brand name and/or brand identifiable logo must be indelibly marked on each ingot within a bundle or on each T-bar or sow.

5.2 In the case of ingots, the production cast reference must be indelibly marked on each ingot within the bundle or on the surface of the bundle or on a durable bundle label. In the case of T-bars and sows, the production cast reference must be marked on each T-bar or sow either indelibly or by a durable bundle label.

5.3 If a Warrant relates to metal, in respect of which an eCOA has not been produced, the Warehouse is obliged to submit to the identified holder of any Warrant the Certificate(s) of Analysis or copies thereof, on request.

5.4 All documentation for placing aluminium on Warrant must include the English language.

5.5 Straps replaced by a Warehouse must be of corrosion resistant material and in compliance with LME strapping standards.

6. MAJOR CURRENCY

US dollars

7. TESTING OF WARRANTED METAL

If the Exchange believes that the conditions at (a) and (b) below are satisfied, the Exchange may instruct an LSA to undertake such tests as are necessary to form a reasonable opinion on whether or not metal on Warrant conforms with these rules. Where the Exchange reasonably believes that the situation requires it, those tests may be conducted without the prior consent of the Warrant holder. The tests will be at the LME's cost.

The conditions referred to above are: -

(a) There are reasonable grounds to suspect that metal on Warrant does not comply with these rules.

(b) There is a risk of disruption to the LME's market.

SPECIAL CONTRACT RULES FOR ALUMINIUM ALLOY

1. QUALITY

The aluminium alloy delivered under this contract must be:

(a) Aluminium alloy conforming to one of the specifications listed below:

(1) **A380.1** produced in conformity with The Aluminum Association Inc. specification (2015);

(2) **226** produced in conformity with LME 226 as described below:

Elements	Composition, % (m/m)
Cu	2.0 – 3.5
Si	8.0 –11.0
Mg	0.1 – 0.5
Zn	1.2 max
Fe	1.0 max
Mn	0.1 – 0.4
Ni	0.3 max
Sn	0.1 max
Ti	0.15 max
Pb	0.2 max
Others	0.05 max each
Al	Remainder
The sum of 'others' 0.15% max	

(3) **AD12.1** produced in conformity with JIS H2118-2006, Class 12: (Note: this specification to be read in conjunction with the provision that there be an allowance as follows: Others, total 0.50% max, Al remainder).

(b) In the shape of ingot, small sows (four way entry sows), large sows (low profile sows) and T-bars.

(c) Of brands listed in the LME-approved list of aluminium alloy brands.

2. SIZE OF LOT

20 tonnes (2% either more or less).

3. WARRANTS

3.1 Warrants shall be for 20 tonnes each (2% either more or less).

3.2 The aluminium alloy in each Warrant shall consist of one brand which is listed as being good delivery and of one shape and dimension.

3.3 Each lot shall contain aluminium alloy derived from no more than five production batches, and, in the case of ingots, each bundle shall contain aluminium alloy from only one production batch.

3.4 Each Warrant shall state:

(a) the name of the brand;

(b) the country / region of origin;

(c) the shape;

(d) the date(s) and reference number(s) of the certificate(s) of analysis lodged with the Warehouse;

(e) the weight;

(f) the number of bundles of ingots, small sows, large sows or T-bars making up each lot;

(g) each Warrant must bear the following clause;

WARNING: the buyer is advised that this metal may contain crevices and hidden recesses holding entrapped moisture. The metal should be handled and processed with this possibility in mind. Entrapped moisture may cause an explosion if the metal is introduced into a melting furnace without proper drying.

4. CERTIFICATES OF ANALYSIS

Requirement for eCOA to place metal on Warrant

4.1 Each delivery of a Lot of aluminium alloy to a Warehouse for placing on Warrant must be accompanied by an eCOA in order for the Warehouse to be able to place such metal on Warrant.

4.2 Where the aluminium alloy comprising the relevant Lot was produced on or after a date to be specified by the Exchange by way of Notice, in order for such Lot to be warrantable, the Lot of aluminium alloy must be accompanied by an Enhanced eCOA and a completed LME Carbon Adjustment Mechanism ("CBAM") emissions reporting form, as specified by the Exchange by way of Notice. The Exchange may update the CBAM emissions reporting form from time to time by way of Notice.

4.3 With effect from the date specified by way of Notice pursuant to Special Contract Rule 4.2 above, where a Warehouse is unable to identify the production date of a Lot of aluminium alloy and the relevant Lot is not accompanied by an eCOA, the Warehouse is permitted to produce a Basic eCOA pursuant to the terms of any agreements between the Exchange and the relevant Warehouse. In such circumstances, the Warehouse may place such Lot on Warrant following the creation of such Basic eCOA.

Voluntary creation of an eCOA (metal produced before the date specified by way of Notice pursuant to Special Contract Rule 4.2 above):

4.4 For metal produced before the date specified by way of Notice pursuant to Special Contract Rule 4.2 above and where an Enhanced eCOA has not been created in respect of the underlying metal by its producer, a Basic eCOA may be produced by one of the following:

(a) Members, pursuant to Special Contract Rule 4.7 below;

(b) Warehouses, pursuant to the terms of any agreements between the Exchange and the relevant Warehouse (including but not limited to the Warehouse Agreement);

(c) the producer of the underlying metal; or

(d) any other categories of persons or entities as the Exchange may specify from time to time.

For these purposes, each of the above shall be able to upload Paper COAs into the eCOA System for the purposes of producing the Basic eCOA.

Requirements for Production of an eCOA:

4.5 In order to be a valid eCOA, any eCOA that is produced in respect of aluminium alloy must demonstrate compliance with one of the relevant standards and grades listed in Special Contract Rule 1(a) (1), (2) or (3) by illustrating the detected level of impurity for each element. In all cases, it must be possible to cross-reference the production cast reference on the metal to identical numbers on the eCOA.

4.6 An Enhanced eCOA for a Lot of aluminium alloy may only be created by the producer of the metal. Any eCOA created by a producer of metal which is produced on or after the date specified by way of Notice pursuant to Special Contract Rule 4.2 above must be an Enhanced eCOA.

4.7 Where a Member (or any other person) elects to produce a Basic eCOA, it must:

(a) upload the complete and correct Paper COA relating to the underlying metal;

(b) enter the correct information into the eCOA System as requested by the eCOA System for the purposes of creating the Basic eCOA and as specified by the Exchange from time to time; and

(c) use all reasonable skill, care and attention when using the eCOA System.

5. ADDITIONAL REQUIREMENTS FOR ALUMINIUM ALLOY WARRANTS

5.1 The listed brand name must be indelibly marked on each ingot, sow and T-bar.

5.2 The production cast reference and alloy grade reference must be indelibly marked on each ingot within the bundle or on the top surface of the bundle or on a durable bundle label and on each sow and T-bar.

5.3 If a Warrant relates to metal, in respect of which an eCOA has not been produced, the Warehouse is obliged to submit to the identified holder of any Warrant the Certificate(s) of Analysis or copies thereof, on request.

5.4 All ingots and sows shall be produced by a single pouring process. "Multi-pour" or "capping" the surface with additional metal after the ingot or sow is formed is not permitted.

5.5 All ingots, T-bars and sows delivered under the contract shall be flat in order to permit safe stacking and handling using forklifts.

5.6 Metal surfaces shall be smooth and free of open shrinkage, porosity, layers and seams.

5.7 The metal must be free of the visible presence of foreign substances.

5.8 The edges and surfaces of metal shall be free of sharp edges, spurs and flashings that might present safety hazards in handling.

5.9 All documentation for placing aluminium alloy on Warrant must include the English language.

5.10 Straps replaced by a Warehouse must be of corrosion resistant material and in compliance with LME strapping standards.

6. SHAPES, WEIGHTS AND DIMENSIONS

(a) Ingots

Ingots shall weigh not less than 4 kilos and not more than 25 kilos. Each ingot in each bundle and lot shall be of the same weight and dimensions but not exceed 800mm in length; the only exception to be the cast feet for the purpose of bundle stability.

Bundles shall weigh not less than 500 kilos and not more than 1000 kilos of equal weight and dimension in each lot suitable for stacking. One makeweight bundle in any one lot is permissible. Bundles must be securely strapped for safe handling and transport without bundle distortion and breakage.

(b) Small sows (four-way entry sows)

Small sows shall weigh not less than 408 kilos and not more than 590 kilos. Each small sow in each lot shall be of the same weight and dimensions.

Dimensions shall be within the permitted range detailed as follows:

Top	Length and width shall be the same, between 837mm - 990mm.
Bottom	Length and width shall be the same, between 406mm - 559mm.
Height	Between 304mm – 432mm.
Shape	The tapering of all four sides should include an indentation to allow for the safe and easy handling by forklift trucks.

(c) Large sows (low profile sows)

Large sows shall weigh not less than 300 kilos and not more than 726 kilos. Each large sow in each lot shall be of the same weight and dimensions.

Dimensions shall be within the permitted range detailed as follows:

Top	Length shall be between 1015mm – 1320mm.
	Width shall be between 812mm – 1142mm.
Bottom	Length shall be between 900mm – 1320mm.
	Width shall be between 406mm – 520mm.
Height	Between 200mm – 305mm.
Shape	The tapering of the long sides should include an indentation to allow for the safe and easy handling by forklift trucks.

(d) T-bars

T-bars shall weigh not less than 408 kilos and not more than 726 kilos. Each T-bar in each lot shall be of the same weight and dimensions.

Top	Length shall be between 837mm – 1320mm.
	Width shall be between 760mm – 1015mm.
Bottom	Length shall be between 837mm – 1320mm.
	Width shall be between 406mm – 634mm.
Height	Overall between 254mm – 432mm.
	To shoulder minimum 76mm.
Shape	The indentation of the shoulder on the long sides should be a minimum of 101mm (4 inches) on each side and allow for the safe and easy handling by forklift trucks.

7. MAJOR CURRENCY

US dollars

8. TESTING OF WARRANTED METAL

If the Exchange believes that the conditions at (a) and (b) below are satisfied, the Exchange may instruct an LSA to undertake such tests as are necessary to form a reasonable opinion on whether or not metal on Warrant conforms with these rules. Where the Exchange reasonably believes that the situation requires it, those tests may be conducted without the prior consent of the Warrant holder. The tests will be at the LME's cost.

The conditions referred to above are:

(a) There are reasonable grounds to suspect that metal on Warrant does not comply with these rules.

(b) There is a risk of disruption to the LME's market.

SPECIAL CONTRACT RULES FOR COPPER - GRADE A

1. QUALITY

The copper delivered under this contract must be:

(a) Refined electrolytic copper conforming to the chemical composition of one of the following Standards:

(i) BS EN 1978:2022 (cathode grade designation Cu-CATH-1).

(ii) GB/T 467-2010 (high purity Copper Cathode (Cu-CATH-1)).

(iii) ASTM B115-10 (2021) (cathode Grade 1).

(b) In the shape of full plate cathodes;

(c) Of brands listed in the LME approved list.

2. SIZE OF LOT

25 tonnes (2% either more or less).

3. WARRANTS

3.1 Warrants must be for 25 tonnes (2% either more or less).

3.2 The copper in each Warrant shall consist of one brand which is listed as being good delivery and must be in bundles not exceeding 4.0 tonnes securely strapped for safe handling and transport without bundle distortion and breakage.

3.3 Each Warrant must state:

(a) the name of the brand;

(b) the country of origin;

(c) the shape;

(d) the weight;

(e) the number of bundles making up each lot.

4. ADDITIONAL REQUIREMENTS FOR COPPER WARRANTS

4.1 The LME listed brand name must be indelibly marked on clips attached to the producer's bundle strapping or marked continuously on the strapping.

4.2 No opening of producer bundles with producer markings is permitted by a Warehouse upon receipt except as follows:

(a) Where packaging is damaged such that it may cause a hazard in subsequent handling and storage in which case the Warehouse must repack and label if necessary in accordance with (b) and (c) below;

(b) Where to create a Warrant lot it is necessary to break one or more bundles provided that with such adjustment at least 80% of the bundles in the Warrant have the original producer's clips or straps showing the brand name. The remaining bundles in the Warrant must have a durable label provided by the Warehouse attached to the top cathode in a bundle showing the brand name;

(c) Straps replaced by a Warehouse must be of corrosion resistant materials and in compliance with LME strap standards.

5. MAJOR CURRENCY

US dollars.

6. TESTING OF WARRANTED METAL

If the Exchange believes that the conditions at (a) and (b) below are satisfied, the Exchange may instruct an LME Listed Sampler and Assayer (LSA) to undertake such tests as are necessary to form a reasonable opinion on whether or not metal on Warrant conforms with these rules. Where the Exchange reasonably believes that the situation requires it, those tests may be conducted without the prior consent of the Warrant holder. The LME will bear the costs of such tests.

The conditions referred to above are that:-

(a) there are reasonable grounds to suspect that copper on Warrant does not comply with these rules;

(b) there is a risk of disruption to the LME's market.

SPECIAL CONTRACT RULES FOR LEAD

1. QUALITY

The lead delivered under this contract must be:

(a) Refined lead of a minimum 99.970% purity conforming to one of the following Standards and specific grades:

(i) BS EN 12659:1999 Standard entitled "Lead and Lead Alloys – Lead". Permitted grades: Material Numbers PB970R, PB985R and PB990R.

(ii) GB/T 469/2013 Standard entitled "Lead Ingots". Permitted Grades: 99.970%, 99.985%, 99.990% and 99.994%.

(iii) ASTM B29-19 Standard entitled "Standard Specification for Refined Lead". Permitted grades: 99.97% and 99.995%.

(b) In the shape of ingots weighing not more than 55kgs.

(c) Of brands listed in the LME approved list.

2. SIZE OF LOT

25 tonnes (2% either more or less).

3. WARRANTS

3.1 Warrants shall be for 25 tonnes (2% either more or less).

3.2 The lead in each Warrant shall consist of one brand which is listed as being good delivery, and of one shape and dimension, subject to the necessity of including different shapes and dimensions at the bottom of each bundle for the purpose of stability and must be in bundles not exceeding 1.5 tonnes securely strapped for safe handling and transport without bundle distortion and breakage.

3.3 Each Warrant shall state:

(a) the name of the brand;

(b) the country / region of origin;

(c) the shape;

(d) the date(s) and reference number(s) of the certificate(s) of analysis lodged with the Warehouse;

(e) the weight;

(f) the number of bundles making up each lot.

4. CERTIFICATES OF ANALYSIS

Requirement for eCOA to place metal on Warrant

4.1 Each delivery of a Lot of lead to a Warehouse for placing on Warrant must be accompanied by an eCOA in order for the Warehouse to be able to place such metal on Warrant.

4.2 Where the lead comprising the relevant Lot was produced on or after a date to be specified by the Exchange by way of Notice, in order for such Lot to be warrantable, the Lot of lead must be accompanied by an Enhanced eCOA.

4.3 With effect from the date specified by way of Notice pursuant to Special Contract Rule 4.2 above, where a Warehouse is unable to identify the production date of a Lot of lead and the relevant Lot is not accompanied by an eCOA, the Warehouse is permitted to produce a Basic eCOA pursuant to the terms of any agreements between the Exchange and the relevant Warehouse. In such circumstances, the Warehouse may place such Lot on Warrant following the creation of such Basic eCOA.

Voluntary creation of an eCOA (metal produced before the date specified by way of Notice pursuant to Special Contract Rule 4.2 above):

4.4 For metal produced before the date specified by way of Notice pursuant to Special Contract Rule 4.2 above and where an Enhanced eCOA has not been created in respect of the underlying metal by its producer, a Basic eCOA may be produced by one of the following:

(a) Members, pursuant to Special Contract Rule 4.6 below;

(b) Warehouses, pursuant to the terms of any agreements between the Exchange and the relevant Warehouse (including but not limited to the Warehouse Agreement);

(c) the producer of the underlying metal; or

(d) any other categories of persons or entities as the Exchange may specify from time to time.

For these purposes, each of the above shall be able to upload Paper COAs into the eCOA System for the purposes of producing the Basic eCOA.

Requirements for Production of an eCOA:

4.5 In order to be a valid eCOA, any eCOA that is produced in respect of lead must demonstrate compliance with one of the relevant standards and grades listed in Special Contract Rule 1(a)(i), (ii) or (iii) by illustrating the detected level of impurity for each element. In all cases, it must be possible to cross-reference the production cast reference on the metal to identical numbers on the eCOA.

4.6 An Enhanced eCOA for a Lot of lead may only be created by the producer of the metal. Any eCOA created by a producer of metal which is produced on or after the date specified by way of Notice pursuant to Special Contract Rule 4.2 above must be an Enhanced eCOA.

4.7 Where a Member (or any other person) elects to produce a Basic eCOA, it must:

(a) upload the complete and correct Paper COA relating to the underlying metal;

(b) enter the correct information into the eCOA System as requested by the eCOA System for the purposes of creating the Basic eCOA and as specified by the Exchange from time to time; and

(c) use all reasonable skill, care and attention when using the eCOA System.

5. ADDITIONAL REQUIREMENTS FOR LEAD WARRANTS

5.1 The listed brand name must be indelibly marked on each ingot within a bundle.

5.2 The production cast reference must be indelibly marked on each ingot within the bundle or on the top surface of the bundle or on a durable label.

5.3 If a Warrant relates to metal in respect of which an eCOA has not been produced, the Warehouse is obliged to submit to the identified holder of any Warrant the Certificate(s) of Analysis or copies thereof, on request.

5.4 All documentation for placing lead on Warrant must include the English language.

5.5 Straps replaced by a Warehouse must be of corrosion resistant material and in compliance with LME strap standards.

6. MAJOR CURRENCY

US dollars

7. TESTING OF WARRANTED METAL

If the Exchange believes that the conditions at (a) and (b) below are satisfied, the Exchange may instruct an LSA to undertake such tests as are necessary to form a reasonable opinion on whether or not metal on Warrant conforms with these rules. Where the Exchange reasonably believes that the situation requires it, those tests may be conducted without the prior consent of the Warrant holder. The tests will be at the LME's cost.

The conditions referred to above are:

(a) There are reasonable grounds to suspect that metal on Warrant does not comply with these rules, and

(b) There is a risk of disruption to the LME's market.

SPECIAL CONTRACT RULES FOR PRIMARY NICKEL

1. QUALITY

The nickel delivered under this contract must be:

(a) Primary Nickel that conforms to either the ASTM specification B39-79 (2023) – min 99.80% purity or the GB/T specification 6516-2010 – Ni9990 grade;

(b) In the shape of cathodes (full plate or cut), briquettes, pellets or rounds; and

(c) Of brands listed in the LME approved list.

2. SIZE OF LOT

6 tonnes (2% either more or less).

3. WARRANTS

3.1 Warrants shall be for 6 tonnes (2% more or less).

3.2 The nickel in each Warrant shall consist of one brand which is listed as being good delivery and of one shape and size.

3.3 Each Warrant shall state:-

(a) the name of the brand;

(b) the country / region of origin;

(c) the shape;

(d) the date(s) and identification reference of the certificates of analysis lodged with the Warehouse[1];

(e) the total gross and net weights; and

(f) the number of steel drums or bags or bundles making up each lot.

3.4 Each Warrant for drummed and bagged nickel shall bear the following legend:

'**WARNING** The buyer is advised that steel drums or bags (as applicable) may contain water and nickel should be handled and processed with this possibility in mind. Water contained in steel drums or bags (as applicable) may cause an explosion if the nickel is introduced into a melting-furnace without proper procedures being followed'.

3.5 Each Warrant for full plate cathode nickel shall bear the following legend:

'**WARNING** The buyer is advised that full plate nickel cathode edges may pose a handling risk and proper procedures for handling should be following'.

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[1] For full plate nickel cathodes placed on Warrant on or before 10 January 2011, a certificate of conformity in lieu of a certificate of analysis is permissible.

4. SHAPES AND WEIGHTS

4.1 Nickel delivered under this contract shall be packed according to shape as follows:

(a) Cut cathodes of either 100mm x 100mm (4" x 4"), 50mm x 50mm (2" x 2") or 25mm x 25mm (1" x 1"), shall be packed in sound steel drums of uniform size and even net weight (+/- 2% more or less) of 200kgs or 250kgs or 400kgs or 500kgs each with the production batch reference, gross and net weights and brand name indelibly marked on each individual steel drum. Part filled drums are not permitted.

(b) Briquettes, pellets and rounds shall be packed in steel drums, sizes as 4.1 (a) above, or in 2000kgs (+/- 2% more or less) bags and marked in the same manner as cut cathodes in 4.1 (a) above. Part filled bags are not permitted.

(c) Full plate cathodes up to 1000mm x 1400mm maximum with a thickness range of 2mm to 17mm, shall be packed in bundles not exceeding 2040kgs, strapped in two dimensions with corrosion resistant material to permit safe handling and transport without bundle distortion and breakage on steel or wooden skids (pallets not permitted) with a minimum ground clearance of 75mm with the production batch reference and gross and net weights indelibly marked on the top cathode of each bundle. The brand name must be marked indelibly either a) on clips attached to the bundle strapping, or b) on the producer strapping, or c) on each cathode within each bundle.

5. CERTIFICATE OF ANALYSIS

Requirement for eCOA to place metal on Warrant

5.1 Each delivery of a Lot of nickel to a Warehouse for placing on Warrant must be accompanied by an eCOA in order for the Warehouse to be able to place such metal on Warrant.

5.2 Where the nickel comprising the relevant Lot was produced on or after a date to be specified by the Exchange by way of Notice, in order for such Lot to be warrantable, the Lot of nickel must be accompanied by an Enhanced eCOA.

5.3 With effect from the date specified by way of Notice pursuant to Special Contract Rule 5.2 above, where a Warehouse is unable to identify the production date of a Lot of nickel and the relevant Lot is not accompanied by an eCOA, the Warehouse is permitted to produce a Basic eCOA pursuant to the terms of any agreements between the Exchange and the relevant Warehouse. In such circumstances, the Warehouse may place such Lot on Warrant following the creation of such Basic eCOA.

Voluntary creation of an eCOA (metal produced before the date specified by way of Notice pursuant to Special Contract Rule 5.2 above):

5.4 For metal produced before the date specified by way of Notice pursuant to Special Contract Rule 5.2 above and where an Enhanced eCOA has not been created in respect of the underlying metal by its producer, a Basic eCOA may be produced by one of the following:

(a) Members, pursuant to Special Contract Rule 5.7 below;

(b) Warehouses, pursuant to the terms of any agreements between the Exchange and the relevant Warehouse (including but not limited to the Warehouse Agreement);

(c) the producer of the underlying metal; or

(d) any other categories of persons or entities as the Exchange may specify from time to time.

For these purposes, each of the above shall be able to upload Paper COAs into the eCOA System for the purposes of producing the Basic eCOA.

Requirements for Production of an eCOA:

5.5 In order to be a valid eCOA, any eCOA that is produced in respect of nickel must demonstrate compliance with one of the relevant specifications listed in Special Contract Rule 1(a) by illustrating the detected level of impurity for each element. In all cases, it must be possible to cross-reference the production cast reference on the metal, drums or bags to identical numbers on the eCOA.

5.6 An Enhanced eCOA for a Lot of nickel may only be created by the producer of the metal. Any eCOA created by a producer of metal which is produced on or after the date specified by way of Notice pursuant to Special Contract Rule 5.2 above must be an Enhanced eCOA.

5.7 Where a Member (or any other person) elects to produce a Basic eCOA, it must:

(a) upload the complete and correct Paper COA relating to the underlying metal;

(b) enter the correct information into the eCOA System as requested by the eCOA System for the purposes of creating the Basic eCOA and as specified by the Exchange from time to time; and

(c) use all reasonable skill, care and attention when using the eCOA System.

6. REQUIREMENTS FOR NICKEL WARRANTS

6.1 Nickel may be placed on Warrant provided that:

(a) Drummed nickel is in original sound producer steel drums with producer listed markings and with ring sealing and tamper proof producer seals intact.

(b) For drummed nickel received in original but unsound producer steel drums with broken/damaged producer seals or damaged while stored in the warehouse from an unintended incident, the Warehouse must, without exception, open every such drum and inspect the contents for conformance with the producer listed product and weight before re-packing in sound steel drums of capacity of 200kgs or 250kgs or 400kgs or 500kgs using the sizing of drums initially supplied and with ring sealing system and with unique Warehouse tamper proof numbered seals. All replacement steel drums must be marked with the original producer batch reference, listed brand and Warehouse established gross and net weights.

(c) Bagged nickel is in original sound producer bags with producer listed markings and with tamper proof seals intact.

(d) For bagged nickel received in original but unsound producer bags with broken/damaged producer seals or damaged while stored in the warehouse from an unintended incident, the Warehouse must, without exception, open every such bag and inspect the contents for conformance with the producer listed product and weight before re-packing in replacement bags supplied by the producer or in new bags in compliance with ISO 21898:2004 (or National equivalent) with unique Warehouse tamper proof numbered seals. All replacement bags must be marked with the original producer batch reference, listed brand and Warehouse established gross and net weight.

(e) For both drummed and bagged nickel producer approved third party packaging is permitted provided sealing methods are as per 5.1 (a) and 5.1 (c) above, using unique tamper proof numbered seals.

(f) For full plate bundled nickel received in original sound producer bundles with producer listed markings no opening of bundles is permitted except as follows:

(i) Where it is necessary to break bundles in order to ensure nickel is placed on acceptable skids.

(ii) Where packaging is damaged such that it may cause a hazard in subsequent handling and storage.

(iii) Where to create a Warrant lot it is necessary to break one or more bundles from a single shipment quantity. Note that only two bundles in a lot may be constructed by a Warehouse, all other bundles must be original producer bundles. The Warehouse must indelibly mark each replacement strap with the brand name.

6.2 Straps replaced by a Warehouse must be of corrosion resistant material to permit safe handling and transport without bundle distortion and breakage and in compliance with LME strap Standards. The Warehouse must mark the top cathode of any new/reconstructed bundles with the producer production batch reference together with the gross and net weights.

7. ADDITIONAL REQUIREMENTS FOR NICKEL WARRANTS

7.1 All drummed nickel must be securely stored in warehouses on pallets.

7.2 The Warehouse must keep a record of all seals by number and date cross reference to each Warrant.

7.3 Drummed or bagged nickel previously on Warrant which has been supplied to another Warehouse may be placed back on Warrant provided that any drum or bag opened by the previous Warehouse is re-opened and their seal(s) replaced by the new Warehouse unique tamper proof seal(s). This rule does not apply to original sound producer drums or bags with producer listed markings and with tamper proof producer seals intact and to producer third party packaging where listed by the LME or for such packaging supported by an LME Listed Sampler and Assayer (LSA) certificate of analysis and having LSAs seals.

7.4 Drummed or bagged nickel previously on Warrant which has been returned to the same Warehouse may be placed back on Warrant without the need to open any packaging provided that all seals at the time of original warranting remain intact.

7.5 All markings on packaging and information on supporting documentation required for placing nickel on Warrant must include the English language.

7.6 If a Warrant relates to metal in respect of which an eCOA has not been produced, the Warehouse is obliged to submit to the identified holder of any Warrant the Certificate(s) of Analysis or copies thereof, on request.

8. MAJOR CURRENCY

US dollars

9. TESTING OF WARRANTED METAL

If the Exchange believes that the conditions at (a) and (b) below are satisfied, the Exchange may instruct an LSA to undertake such tests as are necessary to form a reasonable opinion on whether or not metal on Warrant conforms with these rules. Where the Exchange reasonably believes that the situation requires it, those tests may be conducted without the prior consent of the Warrant holder. The tests will be at the LME's cost.

The conditions referred to above are: -

(a) that there are reasonable grounds to suspect that metal on Warrant does not comply with these rules, and

(b) that there is a risk of disruption to the LME's market.

SPECIAL CONTRACT RULES FOR NORTH AMERICAN SPECIAL ALUMINIUM ALLOY

1. QUALITY

The aluminium alloy delivered under this contract must be:

(a) Aluminium alloy conforming to the "LME NA380.1" specification (an LME modification of The Aluminum Association Inc. A380.1 specification (1989)), produced in conformity with the following specification:

Element	Minimum	Maximum
Copper	3.00	3.50
Silicon	8.50	9.50
Iron	0.80	1.00
Magnesium	-	0.10
Zinc	-	3.00
Manganese	-	0.45
Nickel	-	0.50
Tin	-	0.10
Lead	-	0.10
Titanium	-	0.10
Chrome (chromium)	-	0.10
Others – each	-	0.10
Others – total	-	0.50
Sludge = Fe + 2Mn + 3Cr		1.80
Production must be filtered.		

(b) In the shape of ingots, small sows (four way entry sows), large sows (low profile sows) and T-bars.

(c) Of brands listed in the LME-approved.

2. SIZE OF LOT

20 tonnes (2% either more or less).

3. WARRANTS

3.1 Warrants must be for 20 tonnes (2% either more or less).

3.2 The aluminium alloy in each Warrant must consist of one brand which is listed as being good delivery and of one shape and dimension.

3.3 Each lot must contain aluminium alloy derived from no more than five production batches, and, in the case of ingots, each bundle must contain aluminium alloy from only one production batch.

3.4 Each Warrant must state:

(a) the name of the brand;

(b) the country / region of origin;

(c) the shape;

(d) the date(s) and reference number(s) of the certificate(s) of analysis lodged with the Warehouse;

(e) the weight;

(f) the number of bundles of ingots, small sows, large sows or T-bars making up each lot.

3.5 Each Warrant must bear the following clause;

WARNING: The buyer is advised that this metal may contain crevices and hidden recesses holding entrapped moisture. The metal should be handled and processed with this possibility in mind. Entrapped moisture may cause an explosion if the metal is introduced into a melting-furnace without proper drying.

4. CERTIFICATES OF ANALYSIS

Requirement for eCOA to place metal on Warrant

4.1 Each delivery of a Lot of aluminium alloy to a Warehouse for placing on Warrant must be accompanied by an eCOA in order for the Warehouse to be able to place such metal on Warrant.

4.2 Where the aluminium alloy comprising the relevant Lot was produced on or after a date to be specified by the Exchange by way of Notice, in order for such Lot to be warrantable, the Lot of aluminium alloy must be accompanied by an Enhanced eCOA and a completed LME Carbon Adjustment Mechanism ("CBAM") emissions reporting form, as specified by the Exchange by way of Notice. The Exchange may update the CBAM emissions reporting form from time to time by way of Notice.

4.3 With effect from the date specified by way of Notice pursuant to Special Contract Rule 4.2 above, where a Warehouse is unable to identify the production date of a Lot of aluminium alloy and the relevant Lot is not accompanied by an eCOA, the Warehouse is permitted to produce a Basic eCOA pursuant to the terms of any agreements between the Exchange and the relevant Warehouse. In such circumstances, the Warehouse may place such Lot on Warrant following the creation of such Basic eCOA.

Voluntary creation of an eCOA (metal produced before the date specified by way of Notice pursuant to Special Contract Rule 4.2 above):

4.4 For metal produced before the date specified by way of Notice pursuant to Special Contract Rule 4.2 above and where an Enhanced eCOA has not been created in respect of the underlying metal by its producer, a Basic eCOA may be produced by one of the following:

(a) Members, pursuant to Special Contract Rule 4.7 below;

(b) Warehouses, pursuant to the terms of any agreements between the Exchange and the relevant Warehouse (including but not limited to the Warehouse Agreement);

(c) the producer of the underlying metal; or

(d) any other categories of persons or entities as the Exchange may specify from time to time.

For these purposes, each of the above shall be able to upload Paper COAs into the eCOA System for the purposes of producing the Basic eCOA.

Requirements for Production of an eCOA:

4.5 In order to be a valid eCOA, any eCOA that is produced in respect of aluminium alloy must demonstrate compliance with the specification listed in Special Contract Rule 1(a) by illustrating the detected level of impurity for each element. In all cases, it must be possible to cross-reference the production cast reference on the metal to identical numbers on the eCOA.

4.6 An Enhanced eCOA for a Lot of aluminium alloy may only be created by the producer of the metal. Any eCOA created by a producer of metal which is produced on or after the date specified by way of Notice pursuant to Special Contract Rule 4.2 above must be an Enhanced eCOA.

4.7 Where a Member (or any other person) elects to produce a Basic eCOA, it must:

(a) upload the complete and correct Paper COA relating to the underlying metal;

(b) enter the correct information into the eCOA System as requested by the eCOA System for the purposes of creating the Basic eCOA and as specified by the Exchange from time to time; and

(c) use all reasonable skill, care and attention when using the eCOA System.

5. ADDITIONAL REQUIREMENTS FOR NASAAC WARRANTS

5.1 The LME listed brand name must be indelibly marked on each ingot, sow and T-bar.

5.2 For ingots, the production cast reference and alloy grade reference must be indelibly marked on each ingot within a bundle or on the top surface of a bundle or on a durable label attached to the bundle. For sows and T-bars the production cast reference and alloy grade reference must be indelibly marked either directly on the surface or on a durable label attached to the metal.

5.3 If a Warrant relates to metal in respect of which an eCOA has not been produced, the Warehouse is obliged to submit to the identified holder of any Warrant the Certificate(s) of Analysis or copies thereof, on request.

5.4 All ingots and sows must be produced by a single pouring process. "Multi-pour" or "capping" the surface with additional metal after the ingot or sow is formed is not permitted.

5.5 All ingots, sows and T-bars delivered under this contract must be flat in order to permit safe stacking and handling using forklifts.

5.6 Metal surfaces must be smooth and free of open shrinkage, porosity, layers and seams.

5.7 The metal must be free of the visible presence of foreign substances.

5.8 The edges and surfaces of metal must be free of sharp edges, spurs and flashings that might present safety hazards in handling.

5.9 All documentation for placing aluminium alloy on Warrant must include the English language.

5.10 Straps replaced by a Warehouse must be of corrosion resistant material and in compliance with LME strap standards.

6. SHAPES, WEIGHTS AND DIMENSIONS

(a) Ingots

Ingots must weigh not less than 4 kilos (9lbs) and not more than 17.3 kilos (38lbs). Each ingot in each bundle and lot must be of the same weight and dimensions but not exceed 800mm (35 inches) in length; the only exception to be the cast feet for the purpose of bundle stability.

Bundles must weigh not less than 500 kilos (1100lbs) and not more than 1000 kilos (2200lbs) of equal weight and dimension in each lot suitable for stacking. One makeweight bundle in any one lot will be permissible. Bundles must be securely strapped for safe handling and transport without bundle distortion and breakage.

(b) Small sows (four-way entry sows)

Small sows must weigh not less than 408 kilos (900lbs) and not more than 590 kilos (1300lbs). Each small sow in each lot must be of the same weight and dimensions.

Dimensions shall be within the permitted range detailed as follows:

Top	Length and width must be the same, between 837mm – 990mm (33 – 39 inches).
Bottom	Length and width must be the same, between 406mm – 559mm (16 – 22 inches).
Height	Between 304mm – 432mm (12 – 17 inches).
Shape	The tapering of all four sides must include an indentation to allow for the safe and easy handling by forklift trucks.

(c) Large sows (low profile sows)

Large sows must weigh not less than 500 kilos (1100lbs) and not more than 726 kilos (1600lbs). Each large sow in each lot must be of the same weight and dimensions.

Dimensions shall be within the permitted range detailed as follows:

Top	Length must be between 1015mm – 1320mm (40 – 52 inches).
	Width must be between 812mm – 1142mm (32 – 45 inches).
Bottom	Length must be between 1015mm – 1320mm (40 – 52 inches).
	Width must be between 406mm – 533mm (16 – 21 inches).
Height	Between 216mm – 305mm (8.5 – 12 inches).
Shape	The tapering of the long sides should include an indentation to allow for the safe and easy handling by forklift trucks.

(d) T-bars

T-bars shall weight not less than 408 kilos (900lbs) and not more than 726 kilos (1600lbs). Each T-bar in each lot shall be one of the same weight and dimensions.

Dimensions shall be within the permitted range detailed as follows:

Top	Length must be between 837mm – 1320mm (33 – 52 inches).
	Width must be between 760mm – 1015mm (30 – 40 inches).
Bottom	Length must be between 837mm – 1320mm (33 - 52 inches).
	Width must be between 406mm – 634mm (16 – 25 inches).
Height	Overall between 254mm – 432mm (10 – 17 inches).
	To shoulder minimum 76mm (3 inches).

7. MAJOR CURRENCY

US dollars

8. TESTING OF WARRANTED METAL

If the Exchange believes that the conditions at (a) and (b) below are satisfied, the Exchange may instruct an LSA to undertake such tests as are necessary to form a reasonable opinion on whether or not metal on Warrant conforms with these rules. Where the Exchange reasonably believes that the situation requires it, those tests may be conducted without the prior consent of the Warrant holder. The tests will be at the LME's cost.

The conditions referred to above are:

(a) There are reasonable grounds to suspect that metal on Warrant does not comply with these rules.

(b) There is a risk of disruption to the LME's market.

SPECIAL CONTRACT RULES FOR TIN

1. QUALITY

The tin delivered under this contract must be:

(a) Refined tin of minimum 99.85% purity conforming to BS EN 610:1996.

(b) In the shape of ingots each weighing not less than 12 kilos and not more than 30 kilos.

(c) Of brands listed in the LME approved list.

2. SIZE OF LOT

5 tonnes (2% either more or less).

3. WARRANTS

3.1 Warrants shall be for 5 tonnes (2% either more or less).

3.2 The tin in each Warrant shall consist of one brand which is listed as being good delivery, and of one shape and dimension, subject to the necessity of including different shapes and dimensions at the bottom of each bundle for the purpose of stability and must be in bundles not exceeding 1.2 tonnes securely strapped for safe handling and transport without bundle distortion and breakage.

3.3 Each Warrant shall state:

(a) the name of the brand;

(b) the country / region of origin;

(c) the shape;

(d) the date(s) and reference number(s) of the certificate(s) of analysis lodged with the Warehouse;

(e) the weight;

(f) the number of bundles making up each lot.

3.4 Each Warrant must be made up of not more than two cast batches.

4. CERTIFICATES OF ANALYSIS

Requirement for eCOA to place metal on Warrant

4.1 Each delivery of a Lot of tin to a Warehouse for placing on Warrant must be accompanied by an eCOA in order for the Warehouse to be able to place such metal on Warrant.

4.2 Where the tin comprising the relevant Lot was produced on or after a date to be specified by the Exchange by way of Notice, in order for such Lot to be warrantable, the Lot of tin must be accompanied by an Enhanced eCOA.

4.3 With effect from the date specified by way of Notice pursuant to Special Contract Rule 4.2 above, where a Warehouse is unable to identify the production date of a Lot of tin and the

relevant Lot is not accompanied by an eCOA, the Warehouse is permitted to produce a Basic eCOA pursuant to the terms of any agreements between the Exchange and the relevant Warehouse. In such circumstances, the Warehouse may place such Lot on Warrant following the creation of such Basic eCOA.

Voluntary creation of an eCOA (metal produced before the date specified by way of Notice pursuant to Special Contract Rule 4.2 above):

4.4 For metal produced before the date specified by way of Notice pursuant to Special Contract Rule 4.2 above and where an Enhanced eCOA has not been created in respect of the underlying metal by its producer, a Basic eCOA may be produced by one of the following:

(a) Members, pursuant to Special Contract Rule 4.7 below;

(b) Warehouses, pursuant to the terms of any agreements between the Exchange and the relevant Warehouse (including but not limited to the Warehouse Agreement);

(c) the producer of the underlying metal; or

(d) any other categories of persons or entities as the Exchange may specify from time to time.

For these purposes, each of the above shall be able to upload Paper COAs into the eCOA System for the purposes of producing the Basic eCOA.

Requirements for Production of an eCOA:

4.5 In order to be a valid eCOA, any eCOA that is produced in respect of tin must demonstrate compliance with the specification listed in Special Contract Rule 1(a) by illustrating the detected level of impurity. In all cases, it must be possible to cross-reference the production cast reference on the metal to identical numbers on the eCOA.

4.6 An Enhanced eCOA for a Lot of tin may only be created by the producer of the metal. Any eCOA created by a producer of metal which is produced on or after the date specified by way of Notice pursuant to Special Contract Rule 4.2 above must be an Enhanced eCOA.

4.7 Where a Member (or any other person) elects to produce a Basic eCOA, it must:

(a) upload the complete and correct Paper COA relating to the underlying metal;

(b) enter the correct information into the eCOA System as requested by the eCOA System for the purposes of creating the Basic eCOA and as specified by the Exchange from time to time; and

(c) use all reasonable skill, care and attention when using the eCOA System.

5. ADDITIONAL REQUIREMENTS FOR TIN WARRANTS

5.1 The listed brand name must be indelibly marked on each ingot within a bundle.

5.2 The production cast reference must be indelibly marked on each ingot within the bundle.

5.3 If a Warrant relates to metal in respect of which an eCOA has not been produced, the Warehouse is obliged to submit to the identified holder of any Warrant the Certificate(s) of Analysis or copies thereof, on request.

5.4 All documentation for placing tin on Warrant must include the English language.

5.5 Straps replaced by a Warehouse must be of corrosion resistant material and in compliance with LME strap standards.

6. MAJOR CURRENCY

US dollars

7. TESTING OF WARRANTED METAL

If the Exchange believes that the conditions at (a) and (b) below are satisfied, the Exchange may instruct an LSA to undertake such tests as are necessary to form a reasonable opinion on whether or not metal on Warrant conforms with these rules. Where the Exchange reasonably believes that the situation requires it, those tests may be conducted without the prior consent of the Warrant holder. The tests will be at the Exchange's cost.

The conditions referred to above are:

(a) There are reasonable grounds to suspect that metal on Warrant does not comply with these rules.

(b) There is a risk of disruption to the LME's market.

SPECIAL CONTRACT RULES FOR SPECIAL HIGH GRADE ZINC

1. QUALITY

The zinc delivered under this contract must be:

(a) Refined zinc of minimum 99.995% purity conforming to one of the following Standards and specific grades:

(i) BS EN 1179:2003 Standard entitled "Zinc and Zinc Alloys – Primary Zinc", 99.995% grade

(ii) ISO 752:2004 entitled "Zinc ingots", ZN-1 grade

(iii) ASTM B6-23 entitled "Standard Specification for Zinc", LME grade

(iv) GB/T 470-2008 entitled "Zinc ingots", Zn99.995 grade

(b) In the shape of ingots and jumbos.

(c) Of brands in the LME approved list.

2. SIZE OF LOT

25 tonnes (2% either more or less).

3. WARRANTS

3.1 Warrants shall be for 25 tonnes (2% either more or less).

3.2 The zinc in each warrant shall consist of one brand which is listed as being good delivery, and of one shape and dimension, subject, in the case of ingots, to the necessity of including different shapes and dimensions at the bottom of each bundle for the purpose of stability and must be in bundles not exceeding 1.5 tonnes securely strapped for safe handling and transport without bundle distortion and breakage.

3.3 Each Warrant shall state:

(a) the name of the brand;

(b) the country / region of origin;

(c) the shape;

(d) the date(s) and reference number(s) of the certificate(s) of analysis lodged with the Warehouse;

(e) the weight;

(f) the number of bundles making up each lot.

4. CERTIFICATES OF ANALYSIS

Requirement for eCOA to place metal on Warrant

4.1 Each delivery of a Lot of zinc to a Warehouse for placing on Warrant must be accompanied by an eCOA in order for the Warehouse to be able to place such metal on Warrant.

4.2 Where the zinc comprising the relevant Lot was produced on or after a date to be specified by the Exchange by way of Notice, in order for such Lot to be warrantable, the Lot of zinc must be accompanied by an Enhanced eCOA.

4.3 With effect from the date specified by way of Notice pursuant to Special Contract Rule 4.2 above, where a Warehouse is unable to identify the production date of a Lot of zinc and the relevant Lot is not accompanied by an eCOA, the Warehouse is permitted to produce a Basic eCOA pursuant to the terms of any agreements between the Exchange and the relevant Warehouse. In such circumstances, the Warehouse may place such Lot on Warrant following the creation of such Basic eCOA.

Voluntary creation of an eCOA (metal produced before the date specified by way of Notice pursuant to Special Contract Rule 4.2 above):

4.4 For metal produced before the date specified by way of Notice pursuant to Special Contract Rule 4.2 above and where an Enhanced eCOA has not been created in respect of the underlying metal by its producer, a Basic eCOA may be produced by one of the following:

(a) Members, pursuant to Special Contract Rule 4.6 below;

(b) Warehouses, pursuant to the terms of any agreements between the Exchange and the relevant Warehouse (including but not limited to the Warehouse Agreement);

(c) the producer of the underlying metal; or

(d) any other categories of persons or entities as the Exchange may specify from time to time.

For these purposes, each of the above shall be able to upload Paper COAs into the eCOA System for the purposes of producing the Basic eCOA.

Requirements for Production of an eCOA:

4.5 In order to be a valid eCOA, any eCOA that is produced in respect of zinc must demonstrate compliance with one of the relevant standards and grades listed in Special Contract Rule 1(a)(i), (ii), (iii) or (iv) by illustrating the detected level of impurity for each element. In all cases, it must be possible to cross-reference the production cast reference on the metal to identical numbers on the eCOA.

4.6 An Enhanced eCOA for a Lot of zinc may only be created by the producer of the metal. Any eCOA created by a producer of metal which is produced on or after the date specified by way of Notice pursuant to Special Contract Rule 4.2 above must be an Enhanced eCOA.

4.7 Where a Member (or any other person) elects to produce a Basic eCOA, it must:

(a) upload the complete and correct Paper COA relating to the underlying metal;

(b) enter the correct information into the eCOA System as requested by the eCOA System for the purposes of creating the Basic eCOA and as specified by the Exchange from time to time; and

(c) use all reasonable skill, care and attention when using the eCOA System.

5. ADDITIONAL REQUIREMENTS FOR ZINC WARRANTS

5.1 The listed brand name must be indelibly marked on each ingot and jumbo.

5.2 The production cast reference must be:

(a) indelibly marked on each ingot within a bundle or on the top surface of the bundle or on a durable label.

(b) indelibly marked on each jumbo.

5.3 If a Warrant relates to metal in respect of which an eCOA has not been produced, the Warehouse is obliged to submit to the identified holder of any Warrant the Certificate(s) of Analysis or copies thereof, on request.

5.4 All documentation for placing zinc on Warrant must include the English language.

5.5 Straps replaced by a Warehouse must be of corrosion resistant material and in compliance with LME strap standards.

6. SHAPES, WEIGHTS AND DIMENSIONS

(a) Ingots

Ingots shall weigh not more than 30 kilos.

(b) Jumbos

Jumbos shall weigh not less than 900 kilos and not more than 1200 kilos. Each jumbo in each lot shall be of the same weight and dimensions.

Dimensions shall be within the permitted range detailed as follows:

Length	Not more than 1450mm
Width	Not more than 600mm
Height	Not more than 350mm
Shape	Jumbos shall have a minimum of two top holes for handling, which shall have a minimum diameter of 70mm each. Each jumbo should be suitable for stacking and allow for safe and easy handling by fork lift trucks.

7. MAJOR CURRENCY

US dollars

8. TESTING OF WARRANTED METAL

If the Exchange believes that the conditions at (a) and (b) below are satisfied, the Exchange may instruct an LSA to undertake such tests as are necessary to form a reasonable opinion on whether or not metal on Warrant conforms with these rules. Where the Exchange reasonably

believes that the situation requires it, those tests may be conducted without the prior consent of the Warrant holder. The tests will be at the LME's cost.

The conditions referred to above are:

(a) There are reasonable grounds to suspect that metal on Warrant does not comply with these rules.

(b) There is a risk of disruption to the LME's market.

SPECIAL CONTRACT RULES FOR STEEL BILLET

[CONTRACT NOT CURRENTLY AVAILABLE]

1. **QUALITY**

The steel billet deliverable under this contract shall be:

(a) steel billet conforming to one of the specifications listed below:

LME Grade	C	Si	Mn	S	P	Cu	Ni	Cr	N	CEV*	LME Grade
1	0.08-0.13	0.10-0.30	0.30-0.60	0.050	0.040	0.40	0.20	0.20	0.012	-	1
2	0.10-0.15	0.15-0.30	0.50-0.80	0.045	0.045	0.40	0.20	0.20	0.009**	-	2
3	0.14-0.22	0.05-0.15	0.40-0.65	0.05	0.04	0.40	0.30	0.30	0.012	-	3
4	0.14-0.22	0.15-0.30	0.40-0.65	0.05	0.04	0.40	0.30	0.30	0.012	-	4
5	0.15-0.22	0.15-0.30	0.60-1.00	0.05	0.05	0.50	0.20	0.20	0.012	0.50	5
6	0.17-0.25	0.40-0.80	1.20-1.60	0.045	0.045	0.50	0.20	0.20	-	0.52	6
7	0.28-0.37	0.05-0.15	0.50-0.80	0.05	0.04	0.40	0.30	0.30	0.012	-	7
8	0.28-0.37	0.15-0.30	0.50-0.80	0.05	0.04	0.40	0.30	0.30	0.012	-	8
9	0.36-0.42	0.15-0.30	1.00-1.40	0.05	0.05	0.50	0.20	0.20	-	-	9

All limits are max unless otherwise indicated.

* CEV= %C + %Mn/6 + (%Cr + %Mo + %V)/5 + (%Cu + %Ni)/15

** %N max may increase by 0.001% for every 0.005% reduction in %P

An allowable tolerance of analysis taken on products made from the above casting grades is permitted as follows:-

C, +0.02%; Cr, +0.05%; Cu, +0.05%; Mn, +/- 0.10%; N, +0.002%; Ni, +0.05%; S, 0.005%; Si, +/- 0.02%; P, 0.005%; CEV + 0.02%.

(b) of brands listed in the LME-approved list of steel billet brands.

2. **DIMENSIONS**

Steel delivered must be in the form of billets and conform to one of the following dimensions:-

Length	Metric	Imperial
100 S or 100 L	100 x 100mm	4" x 4"
120 S or 120 L	120 x 120mm	4¾ " x 4¾ "
125 S or 125 L	125 x 125mm	5" x 5"
130 S or 130 L	130 x 130mm	5¼ " x 5¼ "
140 S or 140 L	140 x 140mm	5½ " x 5½ "
150 S or 150 L	150 x 150mm	6" x 6"

All metric section dimensions are subject to a +/- 3mm tolerance.

All imperial section dimensions are subject to +/- one-eighth of an inch tolerance.

All metric S lengths are to be nominally 5,800 – 6000mm in 100mm increments. Each nominal length is subject to a +/- 100mm tolerance.

All imperial S lengths are 19' 8" with a tolerance of +/- 4".

All metric L lengths are to be nominally 11,700mm – 12,000mm in 100mm increments. Each nominal length is subject to a +/- 100mm tolerance.

All imperial L lengths are 39' 4" with a tolerance of +/- 4".

3. **SIZE OF LOT**

65 tonnes

4. **WARRANTS**

4.1 Warrants shall be for 65 tonnes each (3.5% either more or less).

4.2 Each parcel particularised in each warrant shall lie at one facility, be of one brand and shall consist of billets of one dimension and one specification.

5. **MAJOR CURRENCY**

US dollars

6. **TESTING OF WARRANTED METAL**

If the Exchange believes that the conditions at (a) and (b) below are satisfied, the Exchange may instruct an LME approved Sampler and Assayer to undertake such tests as are necessary to form a reasonable opinion on whether or not metal on Warrant conforms with these rules. Where the Exchange reasonably believes that the situation requires it, those tests may be conducted without the prior consent of the Warrant holder. The tests will be at the Exchange's cost.

The conditions referred to above are: -

(a) that there are reasonable grounds to suspect that metal on Warrant does not comply with these rules, and

(b) that there is a risk of disruption to the LME's market.

SPECIAL RULES GOVERNING THE PLACING OF STEEL BILLET ON WARRANT

1. Each Delivery of billet for placing on warrant shall be accompanied by a Certificate of Origin and a producer's Mill Test Certificate or certificate of Analysis, both of which must be lodged with the warehouseman. The Mill Test Certificate/Certificate of Analysis must be within the quality specification set out in Special Contract Rule 1 and must show the full chemical analysis per heat number. Additionally the Mill Test Certificate/Certificate of Analysis must be on the applicable producers headed paper stating the plant and/or brand name. Bulk certificates or a copy thereof is acceptable.

2. Each warrant shall state the total weight of the parcel particularised thereon, its country / region of origin, brand, no of billets making up each parcel and the date(s) and reference number(s) of the Mill Test Certificate/Certificate of Analysis lodged with the warehouseman. The warehouse company is required to keep a record of the date and reference number of the Certificate of Origin.

3. The Warehouse Company is required to inform the LME of the name of the party that requests the warrant to be issued.

4. On request, the warehouseman is obliged to submit to the holder of the Warrant the Certificates of Origin, plus Analysis or Mill Test Certificate, or copies thereof if the 65 tonne parcel forms part of a larger delivery covered by bulk certificates.

5. All documentation required for placing material on warrant must be in English.

SPECIAL CONTRACT RULES FOR COBALT

1. QUALITY

The cobalt delivered under this contract must be:-

(a) Of a minimum 99.80% purity. Other elements are as specified by producers of each brand in the LME-approved list.

(b) In the form of cathodes (broken or cut, cut cathodes must be of uniform sizes no greater than 50mm and offcuts are not permitted), rounds, briquettes or coarse grain powder (must be <0.01% of a respirable size fraction).

(c) Of brands listed in the LME approved list.

2. SIZE OF LOT

1 tonne (2% either more or less).

3. WARRANTS

3.1 Warrants shall be for 1 tonne (2% either more or less).

3.2 The cobalt in each Warrant shall consist of one brand which is listed as being good delivery, of one shape and size and from not more than two production batches.

3.3 Each Warrant shall state:

(a) the name of the brand;

(b) the country / region of origin;

(c) the shape;

(d) the date(s) and reference number(s) of the certificates of analysis lodged with the Warehouse;

(e) the gross and net weights; and

(f) the number of steel drums making up each lot.

3.4 Each Warrant shall bear the following legend:

'**WARNING** The buyer is advised that drums may contain water and cobalt should be handled and processed with this possibility in mind. Water contained in drums may cause an explosion if the cobalt is introduced into a melting-furnace without proper procedures being followed'.

4. DRUMMING REQUIREMENTS

4.1 All cobalt delivered under this contract shall be packed in sound steel drums of uniform size and weight of 200kgs, 250kgs or 500kgs (+/-2%). Part filled steel drums are not permitted.

4.2 Each drum shall be indelibly marked with production batch reference, gross and net weights and brand name.

4.3 Only drums that are original sound producer or producer approved third party steel drums with the producer or approved third party ring closing system and with tamper proof seals intact may be put on Warrant.

4.4 Warehouses are not permitted to place on Warrant cobalt supplied in unsound producer or producer approved third party steel drums with broken seals.

5. CERTIFICATES OF ANALYSIS

Requirement for eCOA to place metal on Warrant

5.1 Each delivery of a Lot of cobalt to a Warehouse for placing on Warrant must be accompanied by an eCOA in order for the Warehouse to be able to place such metal on Warrant.

5.2 Where the cobalt comprising the relevant Lot was produced on or after a date to be specified by the Exchange by way of Notice, in order for such Lot to be warrantable, the Lot of cobalt must be accompanied by an Enhanced eCOA.

5.3 With effect from the date specified by way of Notice pursuant to Special Contract Rule 5.2 above, where a Warehouse is unable to identify the production date of a Lot of cobalt and the relevant Lot is not accompanied by an eCOA, the Warehouse is permitted to produce a Basic eCOA pursuant to the terms of any agreements between the Exchange and the relevant Warehouse. In such circumstances, the Warehouse may place such Lot on Warrant following the creation of such Basic eCOA.

Voluntary creation of an eCOA (metal produced before the date specified by way of Notice pursuant to Special Contract Rule 5.2 above):

5.4 For metal produced before the date specified by way of Notice pursuant to Special Contract Rule 5.2 above and where an Enhanced eCOA has not been created in respect of the underlying metal by its producer, a Basic eCOA may be produced by one of the following:

(a) Members, pursuant to Special Contract Rule 5.7 below;

(b) Warehouses, pursuant to the terms of any agreements between the Exchange and the relevant Warehouse (including but not limited to the Warehouse Agreement);

(c) the producer of the underlying metal; or

(d) any other categories of persons or entities as the Exchange may specify from time to time.

For these purposes, each of the above shall be able to upload Paper COAs into the eCOA System for the purposes of producing the Basic eCOA.

Requirements for Production of an eCOA:

5.5 In order to be a valid eCOA, any eCOA that is produced in respect of cobalt must demonstrate compliance with the purity listed in Special Contract Rule 1(a) and illustrate the detected level of impurity for all elements specified by the producer for the relevant brand. In all cases, it must be possible to cross-reference the production cast reference on the drum to identical numbers on the eCOA.

5.6 An Enhanced eCOA for a Lot of cobalt may only be created by the producer of the metal. Any eCOA created by a producer of metal which is produced on or after the date specified by way of Notice pursuant to Special Contract Rule 5.2 above must be an Enhanced eCOA.

5.7 Where a Member (or any other person) elects to produce a Basic eCOA, it must:

(a) upload the complete and correct Paper COA relating to the underlying metal;

(b) enter the correct information into the eCOA System as requested by the eCOA System for the purposes of creating the Basic eCOA and as specified by the Exchange from time to time; and

(c) use all reasonable skill, care and attention when using the eCOA System.

6. ADDITIONAL REQUIREMENTS FOR ALL COBALT WARRANTS

6.1 All cobalt Warrants require a packing list cross referenced to the Certificate(s) of Analysis and individual producer drum seal numbers in English. Bulk Certificates of Analysis are permitted.

6.2 If a Warrant relates to metal in respect of which an eCOA has not been produced, the Warehouse is obliged to submit to the holder of the Warrant the Certificate(s) of Analysis and packing list or copies thereof if the Warrant lot forms part of a larger batch, on request.

7. MAJOR CURRENCY

US dollars

8. TESTING OF WARRANTED METAL

8.1 If the Exchange believes that the conditions at rule 7.2(a) and (b) below are satisfied, the Exchange may instruct an LME Listed Sampler and Assayer (LSA) to undertake such tests as are necessary to form a reasonable opinion on whether or not metal on Warrant conforms with these Rules. Where the Exchange reasonably believes that the situation requires it, those tests may be conducted without the prior consent of the Warrant holder. The LME will bear the costs of such tests.

8.2 The conditions referred to above are that:-

(a) there are reasonable grounds to suspect that cobalt on Warrant does not comply with these rules; and

(b) there is a risk of disruption to the LME's market

SPECIAL CONTRACT RULES FOR ROASTED MOLYBDENUM CONCENTRATE

[CONTRACT NOT CURRENTLY AVAILABLE]

1. QUALITY

The roasted molybdenum concentrate ("RMC") delivered under this contract shall be:

(a) between 57 and 63% molybdenum purity with maximum permissible impurities of Cu 0.50%; P 0.05%; Pb 0.05%; S 0.10%; C 0.10%; Moisture 0.1%.

(b) in the form of powder packed in drums, of which only 5% of the powder can comprise particles in excess of 4mm and 0% in excess of 10mm.

(c) of brands listed in the LME approved list.

2. SIZE OF LOT

6 tonnes molybdenum (+/-5%) contained in RMC.

3. WARRANTS

3.1 Warrants shall be for 10 tonnes of RMC.

3.2 The RMC in each Warrant shall be of one production batch and brand and shall lie in one warehouse.

3.3 Each Warrant shall state:

(a) the name of the brand;

(b) the country / region of origin;

(c) the date and reference number of the certificate of analysis lodged with the warehouseman;

(d) the gross and net weights of RMC together with the net weight contained of molybdenum; and

(e) the number of steel drums making up each Warrant.

3.4 Each Warrant shall bear the following legend:

'**WARNING** The buyer is advised that drums may contain water and RMC should be handled and processed with this possibility in mind. Water contained in drums may cause an explosion if the RMC is introduced into a melting-furnace without proper procedures being followed.'

4. WEIGHTS

4.1 All RMC delivered under this contract shall be packed in sound steel drums of uniform size and of exact net weight of 200 or 250 kilos. Part filled steel drums are not permitted.

4.2 Each steel drum shall have the gross and net weights, brand name, origin and batch reference clearly and indelibly marked or stamped on the outside of the drum.

5. DRUMMED RMC REQUIREMENTS

5.1 RMC contained in drums may be placed on Warrant provided that:

(a) the steel drums are original sound producer drums with a ring closing system and tamper proof producer seals intact;

(b) the Warehouse opens every steel drum in a Warrant quantity of a single producer batch in the presence of an LME Listed Sampler and Assayer (LSA) for the purpose of taking samples and establishing an independent Certificate of Analysis specific to each Warrant lot. The Warehouse shall be responsible for resealing all steel drums using their own unique tamper proof numbered seals using a ring closing system and identifying the warehouse of storage after sampling is complete and still in the presence of the LSA. All costs incurred will be for account of the party instructing the warehouse to place the material on warrant; and

(c) all markings on steel drums conform to those of the listed brand.

5.2 Warehouses are not permitted to place on Warrant any RMC supplied in unsound producer steel drums or steel drums with broken seals.

6. CERTIFICATES OF ANALYSIS

6.1 A Certificate of Analysis shall be issued for each Warrant lot by an LSA in accordance with the following:

(a) LSAs will sample and analyse each lot for LME warranting in accordance with LME specified procedures ensuring that any one lot comes from a single producer batch; and

(b) LSA Certificates of Analysis shall be cross-referenced to the listed producer brand, batch number and Warehouse seal numbers.

6.2 Any party cancelling Warrants should note that the LSA Certificate of Analysis is subject to a variation tolerance of Mo content of +/- 0.5%. If any additional sampling and analysis is required this must be done in accordance with LME procedures within 15 working days after cancelling the Warrant at the warehouse of storage in the presence of the LSA who issued the original Certificate of Analysis. Any disputes about analysis shall be settled in accordance with LME procedures. All costs for any analysis taken at time of cancellation of warrants are for the account of the party cancelling Warrants

7. ADDITIONAL REQUIREMENTS FOR ALL RMC WARRANTS

7.1 Note that in order to create RMC warrants a producer weight certificate and analysis certificate covering all elements of the Contract specification in 1(a) above is to be supplied with all deliveries to a warehouse.

7.2 All RMC Warrants require as supporting documentation a certificate of origin and a LSA certificate of analysis in English.

7.3 On request the Warehouse is obliged to submit to the holder of the Warrant the certificate of origin and analysis or a copy thereof.

7.4 The Warehouse Company is required to inform the LME of the name of the party that requests the warrant to be issued.

8. MAJOR CURRENCY

US dollars

9. TESTING OF WARRANTED METAL

9.1 If the Exchange believes that the conditions at rule 9.2(a) and (b) below are satisfied, the Exchange may instruct an LME Listed Sampler and Assayer to undertake such tests as are necessary to form a reasonable opinion of whether or not metal on Warrant conforms with these Rules. Where the Exchange reasonably believes that the situation requires it, those tests may be conducted without the prior consent of the Warrant holder. The LME will bear the costs of such tests.

9.2 The conditions referred to above are that:-

(a) there are reasonable grounds to suspect that RMC on Warrant does not comply with these rules, and

(b) there is a risk of disruption to the LME's market.

PART 6A

SPECIAL CONTRACT RULES FOR THE CONSTRUCTION OF THE INDEX

[CONTRACT NOT CURRENTLY AVAILABLE]

1. **INDEX CONSTRUCTION**

The Index is an Index on the six designated LME primary metals contracts denominated in US dollars.

2. **INDEX WEIGHTING**

Weightings of the six metals are derived from global production volume and trade liquidity averaged over the preceding five-year period. Weightings of the Constituent Metals of the Index will be published by way of Notice from time to time.

The Exchange shall periodically re-assess the weighting of the Index and, where in the Exchange's absolute discretion, it determines it appropriate to do so, the Exchange may revise the weighting. Any such revisions will be published by way of Notice.

3. **INDEX VALUE**

The Index value is calculated as the sum of the prices for the three qualifying months multiplied by the corresponding weights, multiplied by a constant:

Index = (WAI x (Al 1 mth + Al 2 mth + Al 3 mth) + ([other metals as Al]) x K

where:

WAI = % weight of primary aluminium ("Al")

Al 1 mth = first month third Wednesday primary aluminium future price

Al 2 mth = second month third Wednesday primary aluminium future price

Al 3 mth = third month third Wednesday primary aluminium future price

K = the reference constant which creates the initial Index value at 4 January 1999 of 1,000. The constant is changed at each reweighting point to rebalance the Index at that time.

Note that primary aluminium, designated "Al", has been used as the first Constituent Metal.

4. **THE INDEX FUTURES CONTRACT SPECIFICATION**

4.1 **Contract Size**

$10 per Index point.

4.2 **Prompt Date**

Second Wednesday of maturity month, subject to the Trading Regulations.

4.3 **Index point Value Basis**

Average of the third Wednesday prices for the first three qualifying trading months of the Constituent metals.

4.4 **Maturity Months**

Monthly for twelve months.

4.5 **Last Trading Day and Time**

17.00 hours on Prompt Date.

4.6 **Settlement Basis**

Cash Settlement based on the difference between Settlement Price of the Index on the Prompt Date and the value of the Index in the Contract, multiplied by the Contract size.

4.7 **Cash Settlement**

Settlement Business Day following the Prompt Date. (See Regulation 9, Settlement of Contracts, in Part 3, Trading Regulations.)

4.8 **Quotation**

Index points.

4.9 **Minimum Price Move**

0.1 Index point.

5. **INDEX OPTIONS CONTRACT SPECIFICATION**

5.1 **Contract Size**

$10 per Index point.

5.2 **Prompt Date and Time**

Automatic exercise for In The Money Index Options as at 19.15 hours on the second Wednesday of relevant maturity month, subject to the Trading Regulations.

5.3 **Last Trading Day and Time**

16.35 hours on the Prompt Date.

5.4 **Settlement Basis**

Cash settlement based on the difference between Settlement Price of the Index and the Strike Price, multiplied by the Contracts size.

5.5 **Cash Settlement**

The Settlement Business Day following the Prompt Date.

5.6 **Maturity Months**

Monthly for the front three months.

5.7 **Option Premium Date**

Paid on first Business Day following trade.

5.8 **Minimum Price Movement (tick size)**

0.01 Index points.

5.9 **Strike Price Gradation**

10 Index points.

PART 6B

SPECIAL CONTRACT RULES FOR LMEMINI CONTRACTS

1. THE LMEmini FUTURES CONTRACT SPECIFICATION

1.1 Lot Size

The Lot size for each LMEmini Future is as follows:

Constituent Metal	Lot size (tonnes)
Primary Aluminium	5
Copper Grade A	5
Special High Grade Zinc	5

1.2 Prompt Date

Third Wednesday of each maturity month, subject to the Trading Regulations.

1.3 Maturity Months

Monthly for twelve months, unless the Contract is made after the LMEmini Last Trading Time (see 1.5 below) for the calendar month on which the Contract is made, in which case, eleven months.

1.4 Trading Platform

LMEmini Contracts may not be traded in the Ring.

1.5 LMEmini Last Trading Time

The last trading time for all LMEmini Contracts shall be 12.30 hours London time on the Business Day which is two Business Days before the Prompt Date.

1.6 Settlement Basis

Cash settlement by reference to the Settlement Price determined for the Prompt Date for the relevant underlying metal.

1.7 Cash Settlement

On the Prompt Date.

1.8 Currency

US Dollars.

1.9 Minimum Price Movement

$0.25; $0.01 for a carry.

PART 6C

SPECIAL CONTRACT RULES FOR CASH-SETTLED FUTURES - FERROUS

1. THE FERROUS FUTURES CONTRACT SPECIFICATIONS

1.1 Lot Size

The Lot size for each Ferrous Future is as follows:

Contract	Lot size	Code
LME Steel Scrap	10 Metric Tonnes	SC
LME Steel Rebar	10 Metric Tonnes	SR
LME Steel HRC N.America	10 Short Tons	HU
LME Steel HRC FOB China	10 Metric Tonnes	HC
LME Steel HRC NW Europe	10 Metric Tonnes	HN
LME Steel Scrap CFR Taiwan	10 Metric Tonnes	ST
LME Steel Scrap CFR India	10 Metric Tonnes	SI

1.2 Prompt Dates

The meaning and specification of the Prompt Dates for each Ferrous Future shall be determined as follows:

Meaning of Prompt Date	Contracts	Valid Prompt Dates
Having regard, where relevant, to Regulation 8 of the Trading Regulations, the Last Trading Day (as defined in Regulation of 1.6 this Part 6C).	LME Steel Scrap LME Steel Rebar LME Steel HRC FOB China LME Steel HRC N. America LME Steel HRC NW Europe LME Steel Scrap CFR Taiwan	The last Business Day of each month (subject to Regulation 8 of the Trading Regulations)

	LME Steel Scrap CFR India	

1.3 **Maturity Months**

The maturity months for Ferrous Futures Contracts shall be as follows:

Contract	Maturity Months
LME Steel Scrap	Monthly for fifteen months, unless the Contract is made after the Last Trading Time (see 1.6 below) for the calendar month on which the Contract is made, in which case, fourteen months.
LME Steel Rebar	Monthly for fifteen months, unless the Contract is made after the Last Trading Time (see 1.6 below) for the calendar month on which the Contract is made, in which case, fourteen months.
LME Steel HRC N. America	Monthly for fifteen months, unless the Contract is made after the Last Trading Time (see 1.6 below) for the calendar month on which the Contract is made, in which case, fourteen months.
LME Steel HRC FOB China	Monthly for fifteen months, unless the Contract is made after the Last Trading Time (see 1.6 below) for the calendar month on which the Contract is made, in which case, fourteen months.
LME Steel HRC NW Europe	Monthly for fifteen months, unless the Contract is made after the Last Trading Time (see 1.6 below) for the calendar month on which the Contract is made, in which case, fourteen months.
LME Steel Scrap CFR Taiwan	Monthly for fifteen months, unless the Contract is made after the Last Trading Time (see 1.6 below) for the calendar month on which the Contract is made, in which case, fourteen months.
LME Steel Scrap CFR India	Monthly for fifteen months, unless the Contract is made after the Last Trading Time (see 1.6 below) for the calendar month on which the Contract is made, in which case, fourteen months.

1.4 **Execution Venue**

Ferrous Futures may be traded in the inter-office market and on LME Select but not in the Ring.

1.5 **Trading Hours**

Ferrous Futures may be traded on the following Execution Venues at the following times:

Execution Venue	Trading Hours
LME Select	Between 01:00 and 19:00 London time on a Business Day
Inter-office market	24 hours a day during a Business Day

1.6 **Last Trading Day and Last Trading Time**

The last trading time for Ferrous Futures Contracts shall be as follows:

Contract	Last Trading Day	Last Trading Time
LME Steel Scrap	The last Business Day of the relevant tradeable month (where each calendar month shall be a tradeable month)	16:30 hours London time on the Last Trading Day
LME Steel Rebar	The last Business Day of the relevant tradeable month (where each calendar month shall be a tradeable month)	16:30 hours London time on the Last Trading Day
LME Steel HRC N. America	The last Business Day of the relevant tradeable month (where each calendar month shall be a tradeable month)	19:00 hours London time on the Last Trading Day
LME Steel HRC FOB China	The last Business Day of the relevant tradeable month (where each calendar month shall be a tradeable month)	10:30 hours London time on the Last Trading Day
LME Steel HRC NW Europe	The last Business Day of the relevant tradeable month (where each calendar month shall be a tradeable month)	16:30 hours London time on the Last Trading Day
LME Steel Scrap CFR Taiwan	The last Business Day of the relevant tradeable month (where each calendar	09:00 hours London time on the Last Trading Day

	month shall be a tradeable month)	
LME Steel Scrap CFR India	The last Business Day of the relevant tradeable month (where each calendar month shall be a tradeable month)	16:30 hours London time on the Last Trading Day

1.7 **Settlement Basis**

Cash Settlement based on the difference between the relevant Cash-Settled Future Final Settlement Price and the value of the Contract, multiplied by the Lot size.

1.8 **Cash Settlement**

Contract	Final Settlement Date
LME Steel Scrap	Settlement Business Day following the Prompt Date
LME Steel Rebar	Settlement Business Day following the Prompt Date
LME Steel HRC N. America	Second Settlement Business Day following the Prompt Date
LME Steel HRC FOB China	Settlement Business Day following the Prompt Date
LME Steel HRC NW Europe	Settlement Business Day following the Prompt Date
LME Steel Scrap CFR Taiwan	Settlement Business Day following the Prompt Date
LME Steel Scrap CFR India	Settlement Business Day following the Prompt Date

Notwithstanding the above, where the Exchange has adjusted a Reference Price Publication Date in respect of a Cash-Settled Future as provided for in Regulation 1.11(a) of this Part 6C, the Final Settlement Date shall be similarly automatically adjusted to the next Business Day following the Exchange's publication of the Cash-Settled Future's Cash-Settled Future Final Settlement Price.

(See Regulation 9, Settlement of Contracts, in Part 3, Trading Regulations.)

1.9 **Minimum Price Movement**

The minimum price movement for any Ferrous Future other than LME Steel HRC NW Europe, LME Steel Scrap CFR Taiwan and LME Steel Scrap CFR India shall be as follows:

	Minimum price movement per tonne	
Execution Venue	Outright	Carries
LME Select	$0.50	$0.01

Inter-office market	$0.01	$0.01

The minimum price movement for any Ferrous Futures in LME Steel HRC NW Europe, LME Steel Scrap CFR Taiwan and LME Steel Scrap CFR India shall be as follows:

	Minimum price movement per tonne	
Execution Venue	Outright	Carries
LME Select	$0.50	$0.50
Inter-office market	$0.01	$0.01

1.10 **Notification of Procedures for determining the Cash-Settled Future Final Settlement Prices**

The Exchange shall specify, by way of Administrative Procedure issued to the Members, the procedures that it shall apply in order to determine the Cash-Settled Future Final Settlement Price for each Ferrous Future.

1.11 **Specification of the Cash-Settled Future Indices**

(a) The Cash-Settled Future Index relevant to each Ferrous Future shall be used by the Exchange to determine the Cash-Settled Future Final Settlement Price for that Ferrous Future and which shall be published by the Exchange on the Reference Price Publication Date as set out by Notice,, in accordance with the procedures specified pursuant to Regulation 1.10 above. Where an Reference Price Publication Date falls on a day which is not both a Business Day and a normal business day in the jurisdiction where the Cash-Settled Future Index provider determines the Cash-Settled Future Index, the Exchange shall have the right to adjust the Reference Price Publication Date to the next Business Day following receipt by the Exchange of the relevant Cash-Settled Future Index.

(b) The Exchange shall specify, by way of Notice issued to the Members, the relevant index or indices that shall constitute the Cash-Settled Future Index for each type of Ferrous Future.

1.12 **Currency**

US Dollars.

PART 6D

SPECIAL CONTRACT RULES FOR CASH-SETTLED FUTURES - NON-FERROUS

1. THE NON-FERROUS FUTURES CONTRACT SPECIFICATIONS

1.1 Lot Size

The Lot size for each Non-Ferrous Future is as follows:

Contract	Lot size	Code
LME Aluminium Premium Duty Unpaid US Midwest	25 Metric Tonnes	UP
LME Alumina	50 Metric Tonnes	AM
LME Molybdenum	2205 lbs (pounds)	MD
LME Cobalt	1 Metric Tonne	CB
LME Aluminium Premium Duty Unpaid European	25 Metric Tonnes	EA
LME Aluminium Premium Duty Paid European	25 Metric Tonnes	ED
LME Aluminium UBC Scrap US	25 Metric Tonnes	UC
LME Lithium Hydroxide CIF	1 Metric Tonne	LH

1.2 Prompt Dates

The meaning and specification of the Prompt Dates for each Non-Ferrous Future shall be determined as follows:

Meaning of Prompt Date	Contracts	Valid Prompt Dates
Having regard, where relevant, to Regulation 8 of the Trading Regulations, the Last Trading Day (as defined in Regulation 1.6 of this Part 6D).	LME Alumina LME Molybdenum LME Cobalt LME Aluminium Premium Duty Unpaid European LME Aluminium Premium Duty Unpaid US Midwest	The last Business Day of each month (subject to Regulation 8 of the Trading Regulations)

	LME Aluminium Premium Duty Paid European LME Aluminium UBC Scrap US LME Lithium Hydroxide CIF	

1.3 **Maturity Months**

The maturity months for Non-Ferrous Futures Contracts shall be as follows:

Contract	Maturity Months
LME Aluminium Premium Duty Unpaid US Midwest	Monthly for fifteen months, unless the Contract is made after the Last Trading Time (see 1.6 below) for the calendar month on which the Contract is made, in which case, fourteen months.
LME Alumina	Monthly for fifteen months, unless the Contract is made after the Last Trading Time (see 1.6 below) for the calendar month on which the Contract is made, in which case, fourteen months.
LME Molybdenum	Monthly for fifteen months, unless the Contract is made after the Last Trading Time (see 1.6 below) for the calendar month on which the Contract is made, in which case, fourteen months.
LME Cobalt	Monthly for fifteen months, unless the Contract is made after the Last Trading Time (see 1.6 below) for the calendar month on which the Contract is made, in which case, fourteen months.
LME Aluminium Premium Duty Unpaid European	Monthly for fifteen months, unless the Contract is made after the Last Trading Time (see 1.6 below) for the calendar month on which the Contract is made, in which case, fourteen months.
LME Aluminium Premium Duty Paid European	Monthly for fifteen months, unless the Contract is made after the Last Trading Time (see 1.6 below) for the calendar month on which the Contract is made, in which case, fourteen months.
LME Aluminium UBC ScrapUS	Monthly for fifteen months, unless the Contract is made after the Last Trading Time (see 1.6 below) for the calendar month on which the Contract is made, in which case, fourteen months.
LME Lithium Hydroxide CIF	Monthly for fifteen months, unless the Contract is made after the Last Trading Time (see 1.6 below) for the calendar month on which the Contract is made, in which case, fourteen months.

1.4 **Execution Venue**

Non-Ferrous Futures may be traded on in the inter-office market and on LME Select but not in the Ring.

1.5 **Trading Hours**

Non-Ferrous Futures may be traded on the following Execution Venues at the following times:

Execution Venue	Trading Hours
LME Select	Between 01:00 and 19:00 London time on a Business Day
Inter-office market	24 hours a day during a Business Day

1.6 **Last Trading Day and Last Trading Time**

The last trading time for Non-Ferrous Futures Contracts shall be as follows:

Contract	Last Trading Day	Last Trading Time
LME Aluminium Premium Duty Unpaid US Midwest	The last Business Day of the relevant tradeable month (where each calendar month shall be a tradeable month)	19:00 hours London time on the Last Trading Day
LME Alumina	The last Business Day of the relevant tradeable month (where each calendar month shall be a tradeable month)	16:00 hours London time on the Last Trading Day
LME Molybdenum	The last Business Day of the relevant tradeable month (where each calendar month shall be a tradeable month)	13:00 hours London time on the Last Trading Day
LME Cobalt	The last Business Day of the relevant tradeable month (where each calendar month shall be a tradeable month)	14:00 hours London time on the Last Trading Day
LME Aluminium Premium Duty Unpaid European	The last Business Day of the relevant tradeable month (where each calendar	15:00 hours London time on the Last Trading Day

	month shall be a tradeable month)	
LME Aluminium Premium Duty Paid European	The last Business Day of the relevant tradeable month (where each calendar month shall be a tradeable month)	15:00 hours London time on the Last Trading Day
LME Aluminium UBC Scrap US	The last Business Day of the relevant tradeable month (where each calendar month shall be a tradeable month)	19:00 hours London time on the Last Trading Day
LME Lithium Hydroxide CIF	The last Business Day of the relevant tradeable month (where each calendar month shall be a tradeable month)	16:00 hours London time on the Last Trading Day

1.7 **Settlement Basis**

Cash Settlement based on the difference between the relevant Cash-Settled Future Final Settlement Price and the value of the Contract, multiplied by the Lot size.

1.8 **Cash Settlement**

Contract	Final Settlement Date
LME Aluminium Premium Duty Unpaid US Midwest	Second Settlement Business Day following the Prompt Date
LME Alumina	Settlement Business Day following the Prompt Date
LME Molybdenum	Settlement Business Day following the Prompt Date
LME Cobalt	Settlement Business Day following the Prompt Date
LME Aluminium Premium Duty Unpaid European	Settlement Business Day following the Prompt Date
LME Aluminium Premium Duty Paid European	Settlement Business Day following the Prompt Date
LME Aluminium UBC Scrap US	Second Settlement Business Day following the Prompt Date
LME Lithium Hydroxide CIF	Settlement Business Day following the Prompt Date

Notwithstanding the above, where the Exchange has adjusted a Reference Price Publication Date in respect of a Cash-Settled Future as provided for in Regulation 1.11(a) of this Part 6D, the Final Settlement Date shall be similarly automatically adjusted to the next Business Day following the Exchange's publication of the Cash-Settled Future's Cash-Settled Future Final Settlement Price.

(See Regulation 9, Settlement of Contracts, in Part 3, Trading Regulations.)

1.9 **Minimum Price Movement**

The minimum price movement for any Non-Ferrous Future other than Molybdenum, Cobalt, LME Aluminium UBC Scrap US and Lithium Hydroxide shall be as follows:

	Minimum price movement per tonne	
Execution Venue	Outright	Carries
LME Select	$0.50	$0.01
Inter-office market	$0.01	$0.01

The minimum price movement for Non-Ferrous Futures in Molybdenum shall be as follows:

	Minimum price movement per pound	
Execution Venue	Outright	Carries
LME Select	$0.05	$0.01
Inter-office market	$0.01	$0.01

The minimum price movement for Non-Ferrous Futures in Cobalt shall be as follows:

	Minimum price movement per tonne	
Execution Venue	Outright	Carries
LME Select	$50	$0.01
Inter-office market	$0.01	$0.01

The minimum price movement for Non-Ferrous Futures in LME Aluminium UBC Scrap US shall be as follows:

	Minimum price movement per tonne	
Execution Venue	Outright	Carries
LME Select	$0.50	$0.50
Inter-office market	$0.01	$0.01

The minimum price movement for Non-Ferrous Futures in Lithium Hydroxide shall be as follows:

	Minimum price movement per tonne	
Execution Venue	Outright	Carries
LME Select	$10	$10
Inter-office market	$0.01	$0.01

1.10 **Notification of Procedures for determining the Cash-Settled Future Final Settlement Price**

The Exchange shall specify, by way of Administrative Procedure issued to the Members, the procedures that it shall apply in order to determine the Cash-Settled Future Final Settlement Price for each Non-Ferrous Future.

1.11 **Specification of the Cash-Settled Future Indices**

(a) The Cash-Settled Future Index relevant to each Non-Ferrous Future shall be used by the Exchange to determine the Cash-Settled Future Final Settlement Price for that Non-Ferrous Future and which shall be published by the Exchange on the Reference Price Publication Date as set out by Notice, in accordance with the procedures specified pursuant to Regulation 1.10 above. Where a Reference Price Publication Date falls on a day which is not both a Business Day and a normal business day in the jurisdiction where the Cash-Settled Future Index provider determines the Cash-Settled Future Index, the Exchange shall have the right to adjust the Reference Price Publication Date to the next Business Day following receipt by the Exchange of the relevant Cash-Settled Future Index.

(b) The Exchange shall specify, by way of Notice issued to the Members, the relevant index or indices that shall constitute the Cash-Settled Future Index for each type of Non-Ferrous Future.

(c) Where the Exchange uses multiple indices to constitute the Cash-Settled Future Index for a specific type of Non-Ferrous Future, the manner in which such indices shall be used for such purpose shall be as determined by the Exchange.

1.12 **Currency**

US Dollars.

PART 7: REQUIREMENTS FOR THE LISTING OF BRANDS

1. APPLICATIONS FOR LISTING

Where applicable, an application for listing a brand must be submitted on behalf of the producer through a Category 1, 2, 3, 4 or 5 Member.

2. GUIDANCE NOTES FOR LISTING OF BRANDS (QUALITY STANDARDS)

Guidance Notes for listing of brands of each metal are available on the LME website or from the Exchange. Applicants should not proceed with an application prior to reading the applicable guidance notes.

The general procedures outlined in the Guidance Notes include the following requirements:-

2.1 Except in the case of molybdenum and steel that the producer supplies a written undertaking that:

(a) the brand to be listed will conform to the quality of the applicable Special Contract Rules for Metals and that such quality will be maintained in accordance with the lots supplied for testing purposes (see 2.2 below); and

(b) that a producer will undertake to investigate any complaints as to the quality of the brand without time limit.

2.2 That testing of commercial quantities of the metal be undertaken by Exchange approved fabricators who will provide the Exchange with information as to metal quality, suitability and compliance with the applicable Special Contract Rules for Metals.

2.3 That a Fee is paid to the Exchange for the listing of a brand.

3. LME POLICY ON RESPONSIBLE SOURCING OF LISTED BRANDS

The listing of a brand shall also be subject to the application of the LME's Policy on Responsible Sourcing of Listed Brands.

4. CHANGES TO BRANDS, SUSPENSION AND DELISTING

(a) Subsequent to listing any alteration or addition to the details given at the time of listing by the producer are to be notified to the Exchange. A brand may be suspended from listing or delisted at the discretion of the Exchange if any such changes are not notified to the Exchange promptly or if there are changes in the information given at the time of listing which the Exchange considers to be material or if the producer fails to comply with any undertaking given to the Exchange.

(b) Brands may be listed, suspended or delisted at the discretion of the Exchange, which shall be entitled to make such investigations into the producer as it may deem appropriate at any time before, during or after the application for listing. No listing shall become valid until particulars of the brand concerned have been posted on the Exchange for 28 days.

(c) In addition to Regulations 4(a) and (b) above, brands may also be listed, suspended or delisted by the Directors, subject to and in accordance with the LME's Policy on Responsible Sourcing of Listed Brands.

5. COMPLAINTS ABOUT BRANDS

(a) Any complaint as to the quality of any listed brand should be made to the Complaints Officer of the Exchange. Should the Exchange think it appropriate, the Exchange may suspend deliveries onto warrant until quality is proven to the satisfaction of the Exchange. If after investigation by the Complaints Officer the Directors are not satisfied with the quality of the listed brand, then the brand may be delisted at the discretion of the Exchange.

(b) Any complaint about the compliance of a brand with the requirements of the LME's Policy on Responsible Sourcing of Listed Brands should be made in accordance with, and shall be dealt with by the LME in accordance with, the requirements of that policy.

6. COMPLIANCE WITH REQUIREMENTS

The Exchange may, at its discretion, waive or amend any of the listing requirements. Producers must comply with this Part of the Rules and Regulations, the listing requirements, and the LME's Policy on Responsible Sourcing of Listed Brands, as well as with any variations to those and with any applicable Administrative Procedures issued by the Exchange.

7. LIMITATION ON LME'S LIABILITY

Neither the Company nor any of its Directors, staff or other officers shall be under any liability whatsoever either in contract or in tort to any Member or other person in respect of any act or omission in relation to the listing of any brand of metal or the maintenance, suspension or termination of any such listing.

PART 8

ARBITRATION REGULATIONS

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These Arbitration Regulations form part of the Rules and Regulations of the Exchange. They may also be used as a stand-alone document. Contractual arrangements may include a reference to arbitration in accordance with these Arbitration Regulations. For the avoidance of doubt, such a reference does not of itself mean those contractual arrangements are subject to the remaining Rules and Regulations of the Exchange, nor that any resulting contract is an LME Contract.

21 September 2026

PART 8: ARBITRATION REGULATIONS

1. DEFINITIONS AND INTERPRETATIONS

1.1 In these Arbitration Regulations, the following words and expressions shall, unless the context otherwise requires, bear the meanings set opposite them:-

"Administrative Procedure"	a notice published by the Exchange containing a procedure for implementing the Rules or any part thereof;
"Arbitration Regulations"	the regulations set out in Part 8 of the Rules;
"Claimant"	the person commencing an arbitration by serving a Notice to Arbitrate;
"Close of Pleadings"	the end of a period of 28 days after the time for submission of the points of reply, unless otherwise ordered by the Tribunal;
"the Company"	The London Metal Exchange;
"Counter Notice"	a notice served by the Respondent pursuant to Regulation 2.5 of Part 8 of the Rules;
"Deposit"	such sum as may be specified by Administrative Procedure from time to time;
"the Directors"	the Board of Directors of the Company;
"Member"	a member of the Exchange;
"Notice to Arbitrate"	a Notice served by the Claimant pursuant to Regulation 2.1 of Part 8 of the Rules;
"Panel"	the Arbitration Panel of the Company;
"Panel Committee"	a committee appointed by the Directors to oversee the conduct of arbitrations pursuant to the Arbitration Regulations, and in particular to perform the functions and powers referred to in the Arbitration Regulations;
"Registration Fee"	such sum as may be specified by Administrative Procedure from time to time;
"Respondent"	the person receiving a Notice to Arbitrate served by the Claimant;
"Rules"	means these rules and regulations as the same may be amended in accordance with the Articles;
"Secretary"	any person appointed to perform the duties of Secretary of the Company, and for the purpose only of Part 8 of the Rules, any person to whom the functions and powers of the Secretary referred to therein may be delegated from time to

time;

"Tribunal"	the tribunal of one, two or three arbitrators appointed in accordance with Regulation 3 of Part 8 of the Rules;
"Working Day"	any weekday, Monday to Friday inclusive, which is not a public holiday in England and Wales.

1.2 Reference to a period of days shall mean consecutive days, calculated with reference to London Time, whether or not they are Working Days. Where an act is required to be done within a specified period of days after a specified event, the first day of the period shall be the day after the specified event occurs. The period shall end at 5.00pm (London Time) on the last day of the period.

1.3 (a) Words importing the singular shall, where the context permits, include the plural and *vice versa*. Words importing gender shall include each gender. Words importing persons shall, where the context permits or requires, include partnerships and corporations.

(b) Where reference is made to a Regulation in any Part of the Rules it shall be deemed to be a reference to a Regulation in that Part unless the context otherwise requires.

1.4 The headings in these Arbitration Rules are inserted for convenience only and are to be ignored for the purposes of construction.

2. **COMMENCEMENT**

2.1 A Claimant shall commence an arbitration pursuant to these Arbitration Regulations by serving a Notice to Arbitrate on the Respondent, and by sending a copy of the Notice to Arbitrate to the Secretary accompanied by the Registration Fee and Deposit. The Deposit shall be any of the methods detailed in the Arbitration section of the website of the Exchange, as updated from time to time.

2.2 Subject to Regulation 6.3, the Notice to Arbitrate shall contain at least the following information:-

(a) the address for service of the Claimant;

(b) a brief statement of the nature and circumstances of the dispute including a brief description of any contract, sufficient to enable the Respondent to identify it, to which the dispute relates;

(c) a brief statement of the relief claimed;

(d) the Claimant's proposal with regard to the number of arbitrators to form the Tribunal;

(e) the Claimant's nomination of one arbitrator from the Panel; and

(f) the person and address of the Respondent to which the Notice to Arbitrate has been sent.

2.3 The Secretary shall acknowledge receipt of the Deposit and Registration Fee, indicating the date on which payment was made, and shall copy such acknowledgement to the Respondent.

The Notice to Arbitrate shall not be valid, and time shall not start to run for the purpose of any other provisions of these Arbitration Regulations until the Deposit and Registration Fee have been paid and all the above information has been supplied to the Respondent and to the Secretary.

2.4 The date of receipt by the Respondent of a valid Notice to Arbitrate shall be deemed to be the date on which the arbitration has commenced.

2.5 Within 21 days of receipt of the Notice to Arbitrate, the Respondent shall send to the Claimant, with a copy to the Secretary, a Counter Notice which shall contain:-

(a) the address for service of the Respondent;

(b) confirmation that the Respondent agrees to the number of arbitrators proposed by the Claimant, or the Respondent's counter proposal;

(c) if relevant, the Respondent's nomination of one arbitrator from the Panel.

2.6 If the Respondent fails to serve the Counter Notice then, on application by the Claimant in writing to the Secretary, the Secretary shall proceed with the appointment of the Tribunal as set out in Regulation 3.

3. APPOINTMENT OF TRIBUNAL

3.1 Subject to Regulation 3.5, two arbitrators shall form the Tribunal unless the parties to the dispute agree that either one or three arbitrators should form the Tribunal.

3.2 Within 7 days of receipt of the Counter Notice, or of the Claimant's application referred to in Regulation 2.6, the Secretary shall:-

(a) if the Tribunal is to consist of a single arbitrator

(1) appoint the arbitrator agreed by the parties; or

(2) if the parties do not agree on the identity of the arbitrator, appoint an arbitrator who may, but need not, be an arbitrator nominated by one of the parties;

(b) unless the Tribunal is to consist of a single arbitrator, appoint

(1) the arbitrator nominated by the Claimant; and

(2) the arbitrator nominated by the Respondent or, in default, an arbitrator;

(c) send to each arbitrator a copy of the Notice to Arbitrate and the Counter Notice, if any, and any accompanying documents;

(d) notify the parties of steps taken pursuant to Regulations 3.2(a), 3.2(b) and 3.2(c).

3.3 If the Tribunal is to consist of three arbitrators, the two arbitrators appointed pursuant to Regulation 3.2(b) shall, within 7 days of their appointment, nominate the third (in accordance with the criteria in Regulation 3.6) and notify the Secretary of their choice or inform the Secretary that they are unable to agree. The Secretary shall within 7 days thereafter:-

(a) appoint the third arbitrator if necessary having made the choice of third arbitrator themself (in accordance with the criteria in Regulation 3.6);

(b) send the third arbitrator a copy of the documents referred to in Regulation 3.2(c);

(c) notify the parties and other arbitrators of steps taken pursuant to Regulations 3.3(a) and 3.3(b).

3.4 For the purpose of these Arbitration Regulations, the Tribunal shall be taken to have been appointed on the date the Secretary sends notification to the parties pursuant to Regulation 3.2(d) or 3.3(c) as the case may be.

3.5 If the Tribunal consists of two arbitrators then, upon request to the Secretary by

(a) either party at any time prior to 14 days after Close of Pleadings, or

(b) either of the arbitrators at any time before an award is made,

the Secretary shall, in consultation with the existing arbitrators and providing, in the event the request is made by a party, at least one arbitrator is of the view that a third arbitrator should be appointed, appoint a third arbitrator (in accordance with the criteria in Regulation 3.6).

3.6 The third arbitrator, who shall be the chairman of the Tribunal, shall be a lawyer unless the other arbitrators are both lawyers, in which case the chairman shall be a non-lawyer.

3.7 Any arbitrator chosen and appointed by the Secretary shall be chosen from the Panel.

3.8 In every case in which the Secretary appoints an arbitrator the Secretary shall, before doing so, ascertain the arbitrator's ability and willingness to act. If any arbitrator is unable or unwilling to act, the Secretary shall, subject to Regulation 3.13, appoint a replacement.

3.9 The arbitrators may only nominate arbitrators who are members of the Panel.

3.10 All arbitrators, whether or not nominated by the parties, shall be and remain at all times wholly independent and impartial and shall not act as advocates for either party.

3.11 If at any time after their appointment any arbitrator is unable or unwilling to act for any reason, then within 7 days of receipt of a written request from the arbitrator themself, any of the other members of the Tribunal, or either party, the Secretary shall, subject to Regulation 3.13, appoint a replacement.

3.12 Either party may challenge the appointment of an arbitrator within 28 days of the appointment of that arbitrator or, if later, within 28 days of becoming aware of the facts and circumstances on which the challenge is based, on grounds of non-independence, partiality, unfitness or inability to act by sending a written statement of its reasons for the challenge to the Secretary. Unless the other party agrees to the challenge or the arbitrator withdraws within 7 days, the Secretary shall refer the matter to the Panel Committee who shall determine whether the challenge should be sustained and, if so and subject to Regulation 3.13, the Secretary shall appoint a replacement within a further 7 days.

3.13 If the arbitrator to be replaced pursuant to Regulations 3.7, 3.11 or 3.12 is one who either party was originally entitled to nominate, that party shall be entitled to nominate the

replacement (in accordance with the criteria in Regulation 3.6). If the arbitrator to be replaced was the third arbitrator, the other two shall be entitled to nominate the replacement. The Secretary, before appointing the replacement, shall consult with the parties or arbitrators accordingly. The Secretary shall appoint the arbitrator so nominated or, in default of any such nomination within a time specified by the Secretary, choose and appoint the replacement arbitrator (if applicable, in accordance with the criteria in Regulation 3.6).

3.14 The Secretary shall have power, on the application of either party or on their own motion, and on notice to both parties, to extend or abridge any of the time limits specified in this Regulation 3 or in Regulation 2.

4. PROCEDURE

In the absence of any express provision in these Arbitration Regulations the Tribunal shall have the widest discretion permitted by law to determine the procedure to be adopted, and to ensure the just, expeditious, economical and final determination of the dispute.

5. NOTICES AND COMMUNICATIONS

5.1 Unless otherwise ordered by the Tribunal, all notices required by these Arbitration Regulations shall be in writing. Notices and all other documents shall be sent by first class post where available, or airmail, electronic message or delivered by hand.

5.2 Documents sent between the parties shall be sent to the other party's address for service or, if none has yet been specified, to the address of the other party specified in the contract containing the agreement to refer the dispute to arbitration, failing which to the principal place of business of the other party.

5.3 In every case in which either party sends any document to the Secretary or the Tribunal that party shall where relevant provide sufficient copies for each member of the Tribunal, and shall also at the same time send a copy to the other party.

5.4 Subject to satisfactory evidence being produced by the sender and unless the intended recipient proves otherwise:-

(a) documents sent by post shall be deemed to have been received;

(1) if posted within the United Kingdom to an address in the United Kingdom, 2 Working Days after posting;

(2) in all other cases, 5 Working Days after posting;

(b) electronic messages shall be deemed to have been received at the time transmission ceases;

(c) by hand deliveries shall be deemed to have been received at the time of delivery to the address stated on their face.

In the event that the sender utilises more than one of the methods above then documents shall be deemed to have been received by the faster method used.

References in these Arbitration Regulations to receipt of documents shall be construed accordingly. In the event of a dispute prior to the appointment of the Tribunal the Secretary shall in their absolute discretion determine if and/or when receipt is deemed to have occurred.

5.5 Unless these Arbitration Regulations otherwise state, or unless otherwise directed by the Secretary (if no Tribunal has been appointed) or by the Tribunal, all notices and other documents received on a day which is not a Working Day, or after 5.00 pm on any Working Day, shall be deemed to have been received on the next following Working Day. Time of receipt shall be determined with reference to local time in the place where the notice or other document is received.

6. SUBMISSION AND DOCUMENTS

6.1 Unless otherwise ordered by the Tribunal, the procedure following appointment of the Tribunal shall be as set out in the rest of this Regulation.

6.2 Within 21 days after the appointment of the Tribunal, the Claimant shall send to the Tribunal and to the Respondent written points of claim which set out any facts or contentions of law on which it relies, and the relief claimed.

6.3 The Claimant may serve the points of claim on the Respondent at the same time as the Notice to Arbitrate. If so, the information required by Regulations 2.2(b) and 2.2(c) need not be contained in the Notice to Arbitrate, and no further copies of the points of claim need be served pursuant to Regulation 6.2.

6.4 Within 21 days of receipt of the points of claim, or of the appointment of the Tribunal if later, the Respondent shall send to the Tribunal and to the Claimant written points of defence stating in sufficient detail which of the facts and contentions of law in the points of claim it admits or not, or denies, on what grounds, and on what other facts and contentions of law it relies. Any counterclaims shall be submitted with the points of defence in the same manner as claims are set out in the points of claim.

6.5 Within 21 days of receipt of the points of defence, the Claimant may send to the Tribunal and to the Respondent written points of reply which, where there are counterclaims, shall include points of defence to counterclaims.

6.6 If the points of reply contain points of defence to counterclaims, the Respondent may, within 21 days of receipt, send to the Tribunal and to the Claimant written points of reply regarding counterclaims.

6.7 No further submissions shall be served without an order from the Tribunal.

6.8 All submissions referred to in this Regulation shall be accompanied by legible copies, or if they are especially voluminous, lists of all essential documents on which the party concerned relies, and where appropriate, by any relevant samples.

6.9 Any document not in English shall be accompanied by a translation into English and a note explaining who prepared the translation and their qualifications, if any, to do so. Translations may but do not need to be notarised. The authority to be accorded to any translation is a matter for the Tribunal.

6.10 Within 7 days after Close of Pleadings the Tribunal shall give directions for the subsequent procedure of the arbitration and may convene a hearing for this purpose.

6.11 Unless the parties agree to the contrary in writing, the parties, the Tribunal, the Secretary and the Panel Committee shall keep the award (and all other submissions, other documents and information introduced into the proceedings not otherwise in the public domain) confidential in perpetuity save to the extent that disclosure may be required by legal duty or to protect a legal right.

7. HEARINGS AND SEAT OF ARBITRATION

7.1 Each party has the right to be heard before the Tribunal, unless the parties have agreed on a documents-only arbitration.

7.2 The Tribunal shall fix the date, time and place of any meetings and hearings in the arbitration, and shall give the parties reasonable notice thereof. Unless otherwise agreed as provided in Regulation 7.3, all meetings and hearings shall take place at a venue in England and Wales.

7.3 The Tribunal may, with the consent of each of the parties to the arbitration, authorise one or more meetings or hearings to be held at a venue outside England and Wales.

7.4 The Tribunal may in its discretion direct hearings to be conducted without the physical presence of each participant in the same place but on the basis that each participant is linked, for the duration of their participation, through a telecommunication or video link system permitting each participant clearly to hear and speak to every other participant and, if the Tribunal so directs, to see every other participant.

7.5 The Tribunal may in advance of hearings submit to the parties a list of questions which it wishes them to treat with special attention.

7.6 The language of the arbitration shall be English, provided that interpreters shall be permitted by the Tribunal for participants and witnesses for whom English is not their main language.

7.7 The seat of the arbitration shall be England and Wales.

8. PARTY REPRESENTATIVES

8.1 Neither party shall be represented at any hearing by a legal practitioner without the consent of the Tribunal, such consent to be requested not later than Close of Pleadings. If such consent be granted by the Tribunal to one party the other party shall automatically have an equivalent right.

8.2 Nothing in Regulation 8.1 shall preclude either party from otherwise seeking legal advice.

8.3 Subject to Regulation 8.1, either party may be represented at any hearing by any representative, subject to such proof of authority as the Tribunal may require.

9. WITNESSES

9.1 Before any hearing, the Tribunal may require either party to give notice of the identity and qualification of witnesses it wishes to call and may require the parties to exchange statements of evidence to be given by the witnesses a specified time in advance of the hearing.

9.2 The Tribunal may allow, refuse, or limit the appearance of witnesses, whether witnesses of fact or expert witnesses.

9.3 Any witness who gives oral evidence may be questioned by each of the parties or their representative, under the control of the Tribunal. The Tribunal may put questions at any stage of the examination of the witnesses.

9.4 The Tribunal may allow the evidence of a witness to be presented in written form either as a signed statement or by a duly sworn affidavit. Subject to Regulation 9.2 either party may request that such a witness should attend for oral examination at a hearing. If the witness fails to attend, the Tribunal may place such weight on the written evidence as it thinks fit, or exclude it altogether.

10. POWERS OF TRIBUNAL

10.1 Without prejudice to any powers which may be given to the Tribunal elsewhere by law or in these Arbitration Regulations, the Tribunal shall have power either on its own motion or on the application of either party:-

(a) to order either party to take specified steps within a specified time;

(b) to extend or abridge any time limits specified in these Arbitration Regulations, or in any order;

(c) to continue with the reference in default of appearance or of any other act by either party in like manner as a judge of the High Court might continue with proceedings in that court where a party fails to comply with an order of that court or a requirement of rules of the court, including, for the avoidance of doubt and without limitation, power to strike out all or any part of any submission and to make any award consequent upon any such striking out, in the event a party fails

(1) within the time specified in these Arbitration Regulations or in any order or

(2) if no time is specified, within a reasonable time

to do any act required by these Arbitration Regulations or to comply with any order;

(d) at any time to permit either party to amend any submissions;

(e) to stay arbitration proceedings in favour of proceedings in the High Court or other forum and, in an appropriate case, to make it a condition of the stay that one of the parties commence proceedings in the High Court or such other forum forthwith;

(f) to order either party to produce and to supply copies of, any documents in that party's possession, custody or power, which, in the event of dispute, the Tribunal determines to be relevant;

(g) to order either party to answer interrogatories;

(h) to require the parties to provide a written statement of their respective cases in relation to particular issues, to provide a written answer and to give reasons for any disagreement;

(i) to order the inspection, preservation, storage, interim custody, sale or other disposal of any property or thing relevant to the arbitration under the control of either party;

(j) to make orders authorising any samples to be taken, or any observation to be made, or experiment to be tried which may, in the Tribunal's discretion, be necessary or expedient for the purposes of obtaining full information or evidence;

(k) to appoint one or more investigators or experts to report to the Tribunal on specified issues;

(l) to order either party, "the payer", to make an interim payment to the other party, "the payee", of such amount as the Tribunal shall in its discretion think just, not exceeding a reasonable proportion of the monetary award which in the opinion of the Tribunal is likely to be recovered by the payee after taking into account any set-off or counterclaim on which the payer may be entitled to rely;

(m) to order either party to provide security for all or part of any amount in dispute in the arbitration;

(n) to make an interim order that either party shall pay to the other party or to the Tribunal or to the Company a proportion of any costs of an administrative nature necessarily incurred by that party or by the Tribunal or by the Company or by an investigator or expert in respect of the progress or conduct of the arbitration, with the intent that such costs should, so far as reasonably possible, be borne equally by the parties pending the final award of the Tribunal;

(o) to order either party to provide security for the legal or other costs of the other party in any manner the Tribunal thinks fit;

(p) to order specific performance of any contract;

(q) to open up, revise and review any certificate, opinion or decision of any person whose certificate, opinion or decision is subject to reference to arbitration;

(r) to order the rectification of any agreement subject to any rule of law which would restrict this power;

(s) to delegate the power to make procedural rulings to the chairman of the Tribunal, including the power to determine in the event of dispute, whether a ruling is procedural.

10.2 The Tribunal shall have the power to rule on its own jurisdiction, including any objections with respect to the existence or validity of the arbitration agreement, or of the existence of validity of the contract of which the arbitration clause forms part. For this purpose, an arbitration clause which forms part of a contract and which provides for arbitration under these Arbitration Regulations shall be treated as an agreement independent of the other terms of the contract. A decision by the Tribunal that the contract is null and void shall not entail *ipso jure* the invalidity of the arbitration clause.

10.3 A plea that the Tribunal does not have jurisdiction shall be raised not later than in the points of defence. A plea that the Tribunal is exceeding the scope of its authority shall be raised promptly after the Tribunal has indicated its intention to decide on the matter alleged to be

beyond the scope of its authority. In either case the Tribunal may nevertheless admit a late plea under this Regulation 10.3 if it considers the delay justified.

11. CONSOLIDATION

11.1 On the appointment of a Tribunal, and whenever requested to do so by either party, the Panel Committee shall review pending arbitrations and, if it appears to the Panel Committee that

(a) some common question of law or fact arises in two or more of them, or

(b) the rights to relief claimed therein are in respect of or arise out of the same transaction or series of transactions, or

(c) for some other reason it is desirable to make a direction under this Regulation, the Panel Committee shall so inform the parties to all relevant arbitrations and may, upon the application of one or more of the parties to any of the arbitrations, and after consultation with the Tribunals and the parties, direct those arbitrations to be consolidated on such terms as it considers just or may direct them to be heard at the same time or one immediately after another or may order any of them to be stayed until after the determination of any of them.

11.2 For the purposes of Regulation 11.1, the Panel Committee may require any party to any relevant arbitration to provide it with copies of all that party's submissions and other documents connected with the arbitration which appear to the Panel Committee to be relevant.

11.3 If two or more arbitrations are to be consolidated pursuant to Regulation 11.1 above, and all parties to the consolidated arbitration are in agreement as to the choice of arbitrators the same shall be appointed by the Secretary but if all parties cannot agree within 21 days after the date of the direction under Regulation 11.1 the Panel Committee shall have power to choose and appoint three arbitrators as the Tribunal for the consolidated arbitration and to choose and appoint any replacement arbitrators which may thereafter be necessary.

11.4 The Tribunal in any consolidated arbitration shall have power at any time, on the application of any party to the consolidated arbitration or on its own motion, and on such terms as it considers just to order that the arbitration as between any two or more parties proceed separately, but under the same Tribunal, from the arbitration as between any other two or more parties, and to make any directions consequent thereon as the Tribunal considers expedient for the future conduct of all such proceedings.

12. AWARDS

12.1 The Tribunal shall make its award in writing and give its reasons for the award.

12.2 Composition

12.2.1 If the Tribunal consists of two arbitrators and they fail to agree on any issue they shall request the Secretary to appoint a third arbitrator pursuant to Regulation 3.5.

12.2.2 If the Tribunal consists of three arbitrators and they fail to agree on any issue, they shall decide by a majority. If an arbitrator refuses or fails to sign the award, the signatures of the majority shall be sufficient, provided that the reason for the omitted signature is stated.

12.3 Where a decision on any issue is by a majority, the award may contain reasons by the dissenting arbitrator for their dissent, in the discretion of that arbitrator.

12.4 Awards may be expressed in any currency claimed in the arbitration.

12.5 The award shall state the date by which payment shall be made for any sum due under the award. In addition to the statutory power to award interest, the Tribunal shall have the power to award interest at such rate and for such period as it considers fit on any sum after its due date but before commencement of the arbitration.

12.6 The Tribunal may make separate final awards on different issues at different times.

12.7 In the event of a settlement, the Tribunal may make an award recording the settlement if either party so requests.

12.8 Every award shall be final and binding on the parties as from the date that it is taken up by one of the parties. The parties undertake to carry out any award without any delay. Unless otherwise agreed by the parties in writing, the parties waive irrevocably any right to any form of appeal, review or resource to any state court or other legal authority, insofar as such waiver shall not be prohibited under any applicable law.

12.9 If all members of the Tribunal consider that the award contains any points which are of significant importance or interest to Members, they shall communicate such points to the Legal Department of the Exchange. The Legal Department, in consultation with the Tribunal, shall determine whether and how such points should be brought to the attention of Members while keeping the names of the parties confidential.

12.10 The Tribunal shall notify the Secretary and each party to the arbitration of completion of its award (which expression shall include any partial or interim award). At the same time, the Tribunal shall notify the parties whether payment of the Tribunal's Fees and any other costs and expenses of the arbitration (together, the "**Costs**"), by the parties or one of them, is required before release. Payment of the Costs may be made by either party or in part by each of them and shall be without prejudice to any order or subsequent order regarding ultimate liability for the costs of the arbitration.

12.11 Until the award is taken up by one or both of the parties it shall confer no rights upon either party. In the event of the award not being taken up by either party within a period of 28 days from the notification that it is available or such longer period as the Tribunal and Secretary may agree, the Deposit referred to in Regulation 2.1 above shall be forfeited, and (i) the Secretary may in their absolute discretion utilise the funds firstly to pay any sums due to the LME in relation to the proceedings and secondly to pay the Fees due, or part thereof to the extent held, to the Tribunal, and (ii) the Secretary may in their absolute discretion call upon the parties for either of them (a) to take up the award and (b) to pay forthwith the Costs or any part or proportion thereof whereupon the party or parties so called upon shall forthwith pay the Costs as aforesaid and take up the award.

12.12 Regulations 12.12 to 12.16 shall apply to any agreement entered into on or after 1 June 2010 by a Category 1, 2 or 4 Member of the Exchange with another Category 1, 2 or 4 Member or with any other person which provides for any dispute arising out of or in connection with the agreement to be resolved by arbitration in accordance with these Regulations.

12.13 Where:-

(a) the date for payment of any amount due under the award has elapsed,

(b) the period for any appeal against the award under English law has elapsed, and

(c) the party against whom the award was made has failed to make payment of any amount due under the award,

the party in whose favour the award was made may send a notice of application to the Secretary, and shall copy such notice of application to the other party, requesting that the Secretary communicate to Members such failure to make payment. The Secretary shall acknowledge receipt of the notice of application, indicating the date on which it was received, and shall copy such acknowledgement to the other party.

12.14 If, at any time following receipt of a copy of the notice of application pursuant to Regulation 12.12, the party against whom the award was made makes payment in full of all amounts due under the award, both (a) the party in whose favour the award was made and (b) the party against whom the award was made, shall promptly send to the Secretary a notice of confirmation in writing that payment of all amounts due under the award has been made in full, and shall copy such notice of confirmation to the other party.

12.15 If the Secretary has not, within 14 days of receipt of the notice of application in accordance with Regulation 12.12, received from both (a) the party in whose favour the award was made and (b) the party against whom the award was made, a notice of confirmation in writing that payment of all amounts due under the award have been made in full, the Secretary shall communicate to Members such failure to make payment.

12.16 If, following the making of any communication pursuant to Regulation 12.14, the Secretary receives from both (a) the party in whose favour the award was made and (b) the party against whom the award was made, a notice of confirmation in writing that payment of all amounts due under the award has been made in full, the Secretary shall communicate this to Members.

13. COSTS AND DEPOSIT

13.1 Unless otherwise agreed by the parties, the Tribunal may direct, at their discretion and not later than fourteen days after the date for receipt of points of reply, that the recoverable costs of the arbitration, or any part of the arbitration proceedings that it can order to be paid pursuant to Regulation 13.3(a), shall be limited to a specific amount.

13.2 The Tribunal shall have power to specify in the award the amount of the costs of the arbitration (which expression shall, for the purpose of this Regulation 13, include the Tribunal's own remuneration, and any costs relating to the progress or conduct of the arbitration incurred by the Tribunal or by the Company including the costs of and fees payable to any person who has reported to or advised the Tribunal or the Company on any matter and shall include any costs incurred in conducting one or more meetings or hearings at a venue outside England and Wales pursuant to Regulation 7.3), and shall determine the proportions in which they shall be borne by the parties.

13.3 The Tribunal shall have power:-

(a) to order in its award that all or part of the legal or other costs of one party be paid by the other party; and

(b) to determine or assess the amount of those costs, at the request of either party, and for this purpose shall not be *functus officio*.

13.4 If the arbitration is abandoned, suspended, stayed or concluded, by agreement or otherwise, before the final award is made, the parties shall be jointly and severally liable to pay the costs of the arbitration, as determined by the Tribunal, and for this purpose the Tribunal shall not be *functus officio*.

13.5 In any determination or award made by the Tribunal pursuant to Regulations 13.2, 13.3 and 13.4 the Tribunal shall, or at any time on the application of either party the Tribunal may provide for the return or other disposal of the Deposit or any part thereof to such persons as it shall in its absolute discretion consider fit.

14. THE SECRETARY AND THE PANEL COMMITTEE

14.1 Subject only to Regulations 14.2 and 14.3, the Secretary and the Panel Committee shall have sole and exclusive jurisdiction over all matters referred for decision to each of them respectively by any provision of these Arbitration Regulations, and their decisions upon such matters shall be final and binding.

14.2 The Panel Committee may exercise any of the functions and powers of the Secretary referred to in these Arbitration Regulations. It may delegate to the Secretary any of its own functions and powers, either generally or in relation to specific matters.

14.3 In the event of conflict between a decision of the Secretary and a decision of the Panel Committee, the latter shall prevail.

15. EXCLUSION OF LIABILITY

None of the Secretary, the Panel Committee, any arbitrator, or the Company shall be liable to any party for any act or omission in connection with any arbitration, save that the Secretary, the Panel Committee and the arbitrators may be liable for the consequences of conscious and deliberate wrongdoing.

16. GOVERNING LAW

These Arbitration Regulations shall be governed by and construed in accordance with English law. Except where the Arbitration Regulations provide otherwise, all arbitrations hereunder will be conducted in accordance with the provisions of the Arbitration Act 1996 as amended from time to time.

PART 9

DEFAULT REGULATIONS

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21 September 2026

PART 9: DEFAULT REGULATIONS

1. EVENTS OF DEFAULT

The expression "Event of Default" in relation to any person shall mean:-

1.1 failure by that person duly to perform or comply with any obligation to make payment or deliver Warrants under the terms of a Contract;

1.2 failure by that person to satisfy any margin liability in respect of a Contract or to comply with any other obligation binding on that person under a Contract,

1.3 that person:

(a) being (or being, or being capable of being, deemed by law or a court to be) insolvent or unable to pay their debts,

(b) stopping, suspending or threatening to stop or suspend payment of all or a material part of their debts,

(c) beginning negotiations or taking any other step with a view to the deferral, rescheduling or other readjustment of all of (or all of a particular type of) their debts (or of any part which they will or might otherwise be unable to pay when due),

(d) proposing or making a general assignment, or an arrangement or composition with or for the benefit of the relevant creditors,

(e) suffering a moratorium to be agreed or declared in respect of or affecting all or a material part of (or of a particular type of) their debts, or

(f) taking any step, or any step being taken by any other person, with a view to the administration of the first-mentioned person;

1.4 an execution, distress, sequestration, attachment or other legal process being levied or enforced or sued out against any substantial part of that person's revenues or assets and not being discharged or stayed within seven days of being so levied, enforced or sued out or any security over any such substantial part becoming enforceable and any step (including the appointment of a receiver, administrative receiver, manager or similar person) being taken to enforce the same;

1.5 any step being taken (either by that person or by any other person) with a view to the winding-up or dissolution of that person except for the purpose of and followed by a reconstruction, amalgamation, merger, reorganisation or consolidation on terms previously approved by the Exchange;

1.6 that person, being a Member, failing to satisfy the Exchange or any relevant designated agency or self-regulating organisation at any time that they meet any minimum net worth or other financial requirement for Membership or continued authorisation from time to time stipulated by the Exchange or any such designated agency or self-regulating organisation; or

1.7 that person, being a Member, becoming or being declared in default under the default rules of any recognised investment exchange or recognised clearing-house (as those expressions are defined in section 188 and section 190 of the Companies Act 1989).

2. APPLICATION OF DEFAULT REGULATIONS AND DETERMINATION OF DEFAULT

2.1 These Default Regulations apply in relation to:

(a) Cleared Contracts of a Defaulter (subject as provided in Regulation 3.4); and

(b) Client Contracts of a Defaulter,

and, subject to Regulation 2.3 below, shall not apply to any other contracts nor shall they apply to any default by any Category 5, 6 or 7 Member or by any non-Member unless, in the making of Contracts, they are for the time being subject to the Rules.

2.2 If a Trading Member appears to the Exchange to be unable or to be likely to become unable to meet their obligations in respect of one or more Contracts or, without prejudice to the generality of the foregoing, upon the occurrence of an Event of Default in relation to a Trading Member, or at any time thereafter whilst such Event of Default is continuing, the Exchange may in its absolute discretion determine that the Member is a Defaulter, whereupon the provisions of Regulation 3 shall have effect.

2.3 Regulation 7 shall apply to Cleared Contracts and Client Contracts of a Member that is not a Defaulter in the circumstances described in Regulation 7.1(b).

3. DEFAULT PROCEEDINGS

3.1 The Exchange shall, promptly following a determination that a Member is a Defaulter, take any one or more of the steps referred to in Regulation 3.3 as it considers appropriate. The steps referred to in Regulation 3.3 shall be taken by the Exchange without prejudice to any other rights exercisable by the Exchange, or any other provisions in the Rules.

3.2 If the Exchange is directed by the FCA pursuant to the provisions of Section 166 Companies Act 1989 to take action under this part of the Rules in relation to a Member, any action which the Exchange may take pursuant to such direction shall be deemed to be action taken by the Exchange pursuant to this Regulation 3 notwithstanding that the Exchange may not have determined pursuant to Regulation 2 that the Member is a Defaulter.

3.3 The steps referred to in Regulation 3.1 are:-

3.3.1 to direct any or all Unsettled Contracts to which the Defaulter is party as principal, which are In The Money Traded Option Contracts and to which the Defaulter is party as Taker, to be exercised by the Defaulter on a day such exercise may occur under the terms of the relevant Contract, whereupon such exercise shall be deemed to occur on the next available such day and the rights and liabilities of the parties to each futures Contract resulting from the exercise of a Metal Option, Traded Average Price Option or LMEprecious Option shall be discharged as provided in Regulation 3.3.4 on that day;

3.3.2 to permit any or all Unsettled Contracts to which the Defaulter is party as principal which are In The Money Traded Option Contracts and to which the Defaulter is party as Granter, to be exercised by the relevant Takers within such period or periods as may be specified by the Exchange and to declare that all such rights of exercise shall thereafter lapse. The rights and liabilities of the parties to each futures Contract resulting from any such permitted exercise of a Metal Option, Traded Average Price Option or LMEprecious Option shall be discharged as provided in Regulation 3.3.4 on the date of such exercise;

3.3.3 to direct that any Unsettled Contract to which the Defaulter is party as principal whose Prompt Date is on, or on the Business Day after, the date of publication of the Default Notice is, with the consent of any Relevant Office Holder, discharged by performance either in whole or in part;

3.3.4 subject as provided and after taking any action specified, in 3.3.1 to 3.3.3 above, to declare that all rights and liabilities of the parties to each Unsettled Contract to which the Defaulter is party as principal shall be discharged whereupon they shall be so discharged and there shall arise in their place an obligation of the Defaulter to pay to the Counterparty or *vice versa* the appropriate Default Settlement Amount provided that such discharge shall not extend to rights and liabilities for or in respect of margin which has been paid to the Defaulter by any Counterparty or *vice versa* nor to rights and liabilities arising out of a failure to perform a Contract in accordance with its terms;

3.3.5 to direct that any Unsettled Contract to which the Defaulter was party as agent (notwithstanding the prohibition thereon in the Rules) be discharged by performance in accordance with its terms by those persons party to it as principals and for this purpose to make such directions as the Exchange may consider necessary or expedient;

3.3.6 to input into the Matching System the particulars of any Agreed Trade agreed by the Defaulter in the Ring that the Defaulter has failed to input into the Matching System, in accordance with Regulation 3.11 of the Trading Regulations;

3.3.7 at the request of the Clearing House, to effect a transfer of any Warrants in LMEsword that the Defaulter had, prior to the Member becoming a Defaulter, instructed LMEsword to transfer to the Clearing House in settlement of any Contract, continue to grant access to electronic systems operated by the Exchange (including LME Select, the Matching System and LMEsword, and any successor systems) to a Defaulter, and to restrict the use of such access to activities relating directly to the orderly management of the Event of Default. Where continued access is granted under this Regulation 3.3.7 to a Defaulter, the scope of the permitted activities (including, but not limited to, the relevant systems that may be accessed, permitted uses and personnel permitted to use the relevant systems), shall be determined by the Exchange and communicated in writing to the Defaulter and, where known, to the Relevant Office Holder of the Defaulter.

3.4 Subject to Regulation 3.5, all unsettled Cleared Contracts to which a Defaulter is party which have at the time of the relevant determination pursuant to Regulation 2.2 been registered or are thereafter registered with the Clearing House under the terms of the Clearing House Rules shall be dealt with in accordance with the Clearing House Rules (including default rules of the Clearing House) and not in accordance with these Default Regulations.

3.5 In the event that the Clearing House is unable to meet its obligations in respect of one or more unsettled Cleared Contracts in accordance with the Clearing House Rules, such unsettled Cleared Contracts shall be subject to these Default Rules as if Regulation 3.4 did not apply.

3.6 Where, following a determination that a Member is a Defaulter, the Clearing House makes any change to the terms of a Client-Related Cleared Contract to which the Defaulter is a party, in accordance with the Clearing House Rules, a corresponding change shall be deemed to have been made, simultaneously, to the terms of the relevant Underlying Client Contract. Where such change involves the postponement of the Prompt Date of the Client-Related Cleared Contract, whether by (i) the establishment of a new Prompt Date for that Contract, or by (ii) the close out of the Contract with the original Prompt Date, and the establishment of a new Client-

Related Cleared Contract with a different Prompt Date, the Underlying Client Contract shall be deemed to have been amended so as to reflect the new Prompt Date.

3.7 The Default Settlement Amount in respect of each Unsettled Contract in respect of which the rights and liabilities of the parties are discharged pursuant to Regulation 3.3.4 shall be an amount determined by the Exchange in its absolute discretion taking into account market conditions and any compensation that the Exchange considers should be paid by or to the Defaulter, but without prejudice to the generality of the foregoing may be the difference (if any) between the value of the Unsettled Contract at the contract price (or premium) and its value at the Default Settlement Price provided that if, pursuant to the terms of the relevant Contract or any other agreement between the parties, the said rights and liabilities have become or been converted into an obligation to pay, and a corresponding right to receive, a single liquidated sum the Exchange may treat that sum as the Settlement Amount. In calculating the Default Settlement Amount in relation to a Client Contract, the Exchange shall take into account any amount that may have been paid by the Clearing House directly to the Client pursuant to any provision of the Clearing House Rules that gives effect to Article 48(7) of EMIR.

3.8 For each Unsettled Contract in respect of which action is taken under Regulation 3.3 the determination of the Default Settlement Amount by the Exchange shall be final, conclusive and binding upon the Defaulter and each Counterparty.

3.9 The Exchange shall draw up an account between the Defaulter and each Counterparty to a Contract settled under these Default Regulations. Each such account shall include the Default Settlement Amounts calculated in respect of each Unsettled Contract which amounts shall be credited or debited, as appropriate, to the relevant account. Where, for any reason, there is uncertainty or a dispute as to the existence and/or terms of a Contract or it is not practicable to determine the Default Settlement Amount in respect of any Contract that fact or those facts shall be stated by way of note to the account and/or its certification as provided below. On each account, all credits and debits shall be aggregated and the aggregated amount of such credits and debits shall be set-off against each other, so as to produce a nett sum payable by or to the Defaulter on each account. The nett sum payable, or, where relevant, the fact that no sum is payable shall be certified by or on behalf of the Exchange provided that where the account and/or such certification is qualified by reason of uncertainty or a dispute as to the existence and/or terms of any Contract or as to the Default Settlement Amount in relation to any Contract the nett sum shall not be payable until those uncertainties are resolved unless the Defaulter or Relevant Office Holder and the Counterparty otherwise agree.

3.10 Where it appears to the Exchange that the Defaulter has entered into Contracts as trustee, a separate account or accounts shall be taken of Unsettled Contracts entered into as trustee in respect of each relevant trust or trusts as appropriate.

3.11 Where it appears to the Exchange that Unsettled Contracts with a Counterparty of the Defaulter include a Contract or Contracts entered into by the Counterparty in relation to that Counterparty's Clients and/or include a Contract or Contracts entered into by the Defaulter in relation to the Defaulter's Clients a separate account or separate accounts shall be drawn up in relation to the Contract or Contracts of each Client.

3.12 The Exchange shall be entitled in its discretion, without notice to the Defaulter or a Counterparty, to make any currency conversions which the Exchange considers necessary or desirable for the purposes of these Default Regulations at such rate or rates as the Exchange may reasonably determine.

3.13 Where the Defaulter is incorporated outside the United Kingdom and the Exchange determines that rights and liabilities under Unsettled Contracts to which the Defaulter is party are likely to be settled under the law of some place outside the United Kingdom it may elect not to draw up the account or accounts referred to in this Regulation.

4. NOTIFICATION

4.1 Promptly following a determination by the Exchange that a Member is a Defaulter, the Exchange shall cause notice of such determination to be published on the LME's website and shall thereafter as soon as reasonably practicable take such steps as it considers appropriate to notify Counterparties to Unsettled Contracts with the Defaulter (and, where the Defaulter has, notwithstanding the prohibition thereon, contracted as agent, the Defaulter's principal) and such other persons as it thinks fit that the Defaulter has been determined by the Exchange to be a Defaulter and of decisions taken under these Regulations which affect them.

4.2 A Member shall forthwith give notice to the Exchange of the occurrence of any Event of Default in relation to it.

5. PROCEDURES

5.1 For the purposes of complying with its obligations under the Default Regulations the Exchange shall have the right at all times following the issue of a Default Notice through its employees and agents to enter any premises belonging to or in the occupation of the Defaulter, to examine and take copies of or extracts from the trading, accounting and other records of the Defaulter and to operate any accounting or computer systems of the Defaulter for the purposes of establishing the names and addresses of all Counterparties of the Defaulter, details of all Unsettled Contracts of the Defaulter, details of Warrants, Immobilised Warrants and Extracted Warrants held by the Defaulter for the account of Counterparties, details of money and other property held for the account of Counterparties and such other information as may appear to the Exchange to be necessary or expedient.

5.2 The Defaulter, all Members and the Clearing House shall cooperate fully with the Exchange in relation to the provisions of the Default Regulations and in particular shall promptly provide such information as the Exchange or its employees or agents may request in relation to the Defaulter and its Contracts.

5.3 As soon as practicable following the issue of a Default Notice the Exchange shall, in addition to contacting all known Counterparties, publish a Notice and in the press inviting Counterparties of the Defaulter to submit to the Exchange details of their Unsettled Contracts with the Defaulter together with evidence in support thereof.

5.4 The Exchange shall not be obliged to draw up any account in relation to any Counterparty or alleged Counterparty of which it does not have actual notice prior to the date specified for that purpose in the notice referred to in Regulation 5.3 which shall be not less than three months after the date of publication thereof.

5.5 If any dispute between a Defaulter and a Counterparty as to the existence or terms of any Unsettled Contract comes to the notice of the Exchange it shall cause notice of that dispute to be included in the account to be drawn up by it pursuant to Regulation 4 in relation to that Counterparty and may otherwise omit from such account any Default Settlement Amount in relation to the disputed Contract or Contracts and shall not be obliged to adjudicate in respect of such dispute in any way.

5.6 Subject as provided in Section 157 Companies Act 1989 the Exchange may from time to time prescribe further procedures for the purposes of these Default Regulations and provide for the manner in which its powers and obligations thereunder or in relation thereto shall be exercised or discharged.

6. PORTING

6.1 This Regulation 6 shall apply to:

(a) transfers of Underlying Client Contracts of a Defaulter; and

(b) notwithstanding Regulation 2.1, transfers of Underlying Client Contracts of a Member that is not a Defaulter,

in each case where the transfer of a corresponding Client-Related Cleared Contract takes effect pursuant to the Clearing House Rules.

Porting between Clearing Members

6.2 The following provisions apply where any Client-Related Cleared Contract is transferred from a Clearing Member Transferor to a Clearing Member Transferee in accordance with the Clearing House Rules.

(a) In the event that the Client-Related Cleared Contract is transferred from a Clearing Member Transferor to a Clearing Member Transferee in accordance with the Clearing House Rules (whether without the consent of the Clearing Member Transferor pursuant to the default rules of the Clearing House or otherwise where permitted under the Clearing House Rules), the rights and obligations of the Clearing Member Transferor in relation to the Underlying Client Contract shall be deemed by virtue of these Rules to be transferred and novated to the Clearing Member Transferee, such that any rights and obligations of the other party to the Underlying Client Contract shall, from the time of such transfer and novation, be against and to the Clearing Member Transferee and not the Clearing Member Transferor.

(b) Such transfer and novation of the Underlying Client Contract pursuant to these Rules shall occur at the same time as the transfer of the Client-Related Cleared Contract under the Clearing House Rules.

(c) For the avoidance of doubt, this provision shall not affect any rights or obligations between the Clearing Member Transferor and the other party to the Underlying Client Contract that do not directly relate to the performance or settlement of the Underlying Client Contract.

(d) The process described in this Regulation 6.2 applies only to:

(1) Underlying Client Contracts that have been submitted to the Matching System and registered at the Clearing House, such that one or more Client-Related Clearing Contracts have arisen in relation to such Underlying Client Contracts; and

(2) any Post-Compression Client Contracts resulting from the application of Compression to such Underlying Client Contracts.

Porting between Category 4 Members (same Clearing Member)

6.3 The following provisions apply where (i) a Clearing Member has allocated a Client-Related Cleared Contract to an Indirect Client Account at the Clearing House (a "**Transferor Indirect Client Account**") that the Clearing Member is maintaining in respect of one or more Indirect Clients of a Category 4 Member (the "**Transferor Client**") and (ii) the Clearing Member exercises any rights to request or require the Clearing House to transfer the positions associated to the Client-Related Cleared Contract to another Indirect Client Account maintained by the Clearing Member at the Clearing House (a "**Transferee Indirect Client Account**"), which the Clearing Member is maintaining, or will maintain, in respect of the Indirect Client(s) of a different Category 4 Member (a "**Transferee Client**"). This Regulation 6.3 shall also apply to an LMEprecious Non-Clearing Member on the basis that any reference to Category 4 Member shall be read as "LMEprecious Non-Clearing Member".

(a) In the event that the positions associated to a Client-Related Cleared Contract are transferred from a Transferor Indirect Client Account to a Transferee Indirect Client Account in accordance with the Clearing House Rules, the rights and obligations of the Transferor Client in relation to the Underlying Client Contract shall be deemed by virtue of these Rules to be transferred and novated to the Transferee Client, such that any rights and obligations of the other party to the Underlying Client Contract shall, from the time of such transfer and novation, be against and to the Transferee Client and not the Transferor Client.

(b) Such transfer and novation of the Underlying Client Contract pursuant to these Rules shall occur at the same time as the transfer of the positions associated to the Client-Related Cleared Contract from the Transferor Indirect Client Account to the Transferee Indirect Client Account under the Clearing House Rules.

(c) For the avoidance of doubt, this provision shall not affect any rights or obligations between the Transferor Client and the other party to the Underlying Client Contract that do not directly relate to the performance or settlement of the Underlying Client Contract.

(d) The process described in this Regulation 6.3 applies only to:

(1) Underlying Client Contracts that have been submitted to the Matching System and registered at the Clearing House, such that one or more Client-Related Clearing Contracts have arisen in relation to such Underlying Client Contracts; and

(2) any Post-Compression Client Contracts resulting from the application of Compression to such Underlying Client Contracts.

6.4 Each Member must ensure that it does not include in its terms of business or other contractual arrangements with its Clients or counterparties any provisions which would frustrate the transfer of an Underlying Client Contract in accordance with Regulation 6.2 or 6.3 above.

Porting from Category 4 Members to other Clearing Member Accounts

6.5 In the event that a Clearing Member (the "**Original Clearing Member**") has allocated a Client-Related Cleared Contract to an Indirect Client Account at the Clearing House that the Original Clearing Member is maintaining in respect of one or more Indirect Clients of a Category 4 and such Original Clearing Member or its Indirect Client(s) wish to effect a transfer of the positions associated with that Client-Related Cleared Contract:

(a) from the Indirect Client Account maintained by that Clearing Member; and

(b) to (i) a client account of the Original Clearing Member allocated to the Indirect Client(s), such that the Indirect Client(s) would, following the such transfer, be treated as the direct Client(s) of the Original Clearing Member; or (ii) a client account of another Clearing Member (being, accordingly the Clearing Member Transferee), such that the Indirect Client would, following such transfer, be treated as the direct Client(s) of the Clearing Member Transferee,

and in any case otherwise than in accordance with Regulations 6.2 or 6.3 above, then, where such transfer is permitted by, and effected subject to and in accordance with, the Clearing House Rules the transfer and novation of the rights and obligations of the Category 4 Member under the Underlying Client Contracts associated with such positions to the Original Clearing Member or the Clearing Member Transferee (as applicable), shall be subject the following conditions:

(c) the following parties all consent to the transfer of the Underlying Client Contracts and their associated positions:

(1) each Clearing Member that is to transfer and receive the respective positions;

(2) the Category 4 Member, or any insolvency practitioner appointed in respect of the Category 4 Member;

(3) the Indirect Client(s) that are party to the Underlying Client Contracts; and

(4) the Clearing House,

and any such agreement may include agreement as to whether, if at all, any Warrants shall be transferred from any account operated by either Clearing Member at LMEsword to the other (or to any other party); and

(d) the Exchange has not identified any legal, regulatory, technical or operational impediments to the transfer of such Underlying Client Contracts, the associated positions or (where applicable) any Warrants.

This Regulation 6.5 shall also apply to an LMEprecious Non-Clearing Member on the basis that any reference to Category 4 Member shall be read as "LMEprecious Non-Clearing Member".

6.6 In the event that an Underlying Client Contract is transferred between Members in accordance with Regulations 6.2 or 6.3 above, following such transfer the then current parties to the Underlying Client Contract may request that any Warrants that are held in an account at LMEsword that is operated by the Clearing Member Transferor or a Clearing Member responsible for the Transferor Client (as applicable), shall be transferred to an account at LMEsword that is operated by the Clearing Member Transferee or a Clearing Member responsible for the Transferee Client (as applicable), provided that any such request will only be acted upon by the Exchange (as the operator of the LMEsword), in the event that all of the following conditions are met:

(a) the request is submitted in writing to the Exchange, copied to the Clearing House, identifying the specific Warrants to which the request relates and specifying the

grounds on which the Clearing Member Transferee or Transferee Client should be entitled to receipt of the Warrants;

(b) the following parties all consent to the transfer of the Warrants in accordance with the request:

(i) the Clearing Member Transferee or Transferee Client (as applicable);

(ii) the Clearing House;

(iii) the Clearing Member Transferor or Transferor Client (as applicable) or any insolvency practitioner appointed in respect of the Clearing Member Transferor or Transferor Client (as applicable);

(iv) in the case of any Warrants that relate to an Underlying Client Contract that has been transferred pursuant to Regulation 6.2 above, the other party to the Underlying Client Contract that is not the Clearing Member Transferee; and

(v) in the case of any Warrants that relate to an Underlying Client Contract that has been transferred pursuant to Regulation 6.3 above, the other party to the Underlying Client Contract that is not the Transferee Client;

(c) the Exchange has not identified any legal, regulatory, technical or operational impediments to the transfer of such Warrants in accordance with such request.

6.7 In the event that the conditions set out in Regulation 6.6 are met in relation to any request for a transfer of Warrants, the Exchange will facilitate such transfer within such timescales as the Exchange may reasonably specify.

6.8 In the event that an Underlying Client Contract is subject to a transfer and novation pursuant to this Regulation 6 and any law binding on any Member would have the effect of frustrating, preventing or in any manner inhibiting the enforceability of such transfer and novation against such Member, then such transfer and novation shall be deemed to have taken effect by way of:

(a) the termination of such Underlying Client Contract as between its original parties (subject to Regulations 6.2(c) and 6.3(c)); and

(b) the establishment of an Underlying Client Contract on the same terms between the parties to whom the relevant transfer is intended to take effect pursuant to the terms of this Regulation 6.

7. DELEGATION OF FUNCTIONS

The Exchange may from time to time appoint one or more persons to perform on its behalf any of the functions which it may or may be required to exercise under these Default Regulations.

8. COSTS

A Defaulter shall be liable to indemnify the Exchange in respect of the Exchange's costs, charges and expenses in taking any action under the Default Regulations in relation to the Defaulter, including the costs of any person appointed to perform functions on behalf of the Exchange pursuant to Regulation 6.

9. COOPERATION WITH OTHER BODIES

Without prejudice to any other provisions of the Rules the Exchange may pass on any details of or other information in its possession relating to a Member its Contracts or a recognised clearing house or another recognised investment exchange to the Treasury, to the Secretary of State, any Relevant Office Holder, any recognised investment exchange or recognised clearing house or regulatory body, to any other exchange or clearing house approved under the Companies Act 1989 for the purposes of Part VII of that Act, or to any other authority or body having responsibility for any matter arising out of or connected with the default the relevant Member or the default of a recognised clearing house or another recognised investment exchange.

PART 10

LMESWORD REGULATIONS

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PART 10: LMEsword REGULATIONS

1 INTRODUCTION

1.1 LMEsword Regulations

These LMEsword Regulations are the regulations governing the operation of LMEsword. All LMEsword Participants are subject to them, and to the LMEsword Operating Procedures issued pursuant to them. The LMEsword Regulations and LMEsword Operating Procedures are adopted by the Exchange under its Articles of Association, form part of the Rules and may be amended from time to time by the Exchange in accordance therewith. Warehouses agree to be bound by the terms of these LMEsword Regulations pursuant to the Warehouse Agreement.

1.2 Purpose

1.2.1 The principal purpose of LMEsword is to provide a system for the creation, withdrawal and electronic transfer of Warrants and Immobilised Warrants and in respect of electronic transfers, the related constructive delivery between Account Holders of the Underlying Metal, for so long as the Underlying Metal is in the physical possession of the related Warehouse and subject to a Warrant or Immobilised Warrant recorded within the LMEsword System.

1.2.2 Except with regard to Underlying Metal located in a Title Transfer Jurisdiction, the LMEsword System does not purport to create a register of Underlying Metal ownership. Rather it purports to be a record of the bailment rights of each Account Holder for whom the relevant Warehouse and the Depository, respectively, hold Underlying Metal as sub-bailee and bailee from time to time.

1.2.3 These LMEsword Regulations are without prejudice to any right or remedy to which any LMEsword Participant would otherwise be entitled (whether by operation of law, contract or otherwise).

1.3 Relationship between LMEsword Regulations and LMEsword Operating Procedures

These LMEsword Regulations set out the principal rights and obligations of LMEsword Participants and the Depository in relation to the operation of LMEsword. They are supplemented by the LMEsword Operating Procedures, which set out detailed procedures and information relating to the operation of the LMEsword System. In the event of a conflict between the LMEsword Regulations and the LMEsword Operating Procedures, the LMEsword Regulations shall prevail.

1.4 Status of Warrants

1.4.1 Without prejudice to any other provision of these LMEsword Regulations, it is the intention of all LMEsword Participants that:

(i) the mere transfer of a Warrant within the LMEsword System should have the effect of the transfer of a document of title with respect to the Underlying Metal; and

(ii) the effect of a transfer of a Warrant within the LMEsword System shall be given effect to in priority over any other purported transfer outside the LMEsword System of the Warrant or the Underlying Metal.

1.4.2 Each Warehouse shall at all times ensure that:

(i) each Warrant it causes to be created is:

(a) issued by or on behalf of that Warehouse in accordance with the relevant Warehouse Agreement;

(b) transferable electronically; and

(c) capable, upon a transfer in accordance with the LMEsword Regulations, of transferring rights with respect to the Underlying Metal that may be transferred as if the Warrant were a document of title (and, where applicable, the equivalent concept under its governing law);

(ii) each Immobilised Warrant it causes to be created:

(a) is issued by or on behalf of that Warehouse in accordance with the relevant Warehouse Agreement;

(b) is in bearer form, and, subject to Regulation 1.4.2(ii)(c), is capable of legal transfer by delivery or delivery and endorsement; and

(c) shall not confer upon any transferee any title or other interest in the Immobilised Warrant that is greater than the title or interest transferred to it by the Depository.

1.5 **Jurisdictional-specific provisions**

1.5.1 The provisions of Schedule 1 shall apply in respect of any U.S. Warrant and any other Warrant where the Underlying Metal is located in a Title Transfer Jurisdiction.

1.5.2 The provisions of Schedule 2 shall apply in respect of any South Korean Warrant.

2 LMESWORD PARTICIPATION

2.1 Operation of LMEsword

The Exchange is the operator of the LMEsword System.

2.2 The Depository

2.2.1 Subject to Regulations 2.2.2 and 2.2.3, the Exchange shall act as the Depository.

2.2.2 By and upon giving notice to each LMEsword Participant to this effect, the Exchange may from time to time, in its discretion carry out one or more of the following:

(i) elect to terminate its appointment to act as the Depository;

(ii) nominate one or more persons (including one or more Affiliates of the Exchange) to perform some or all of the functions of the Depository; and

(iii) having previously nominated one or more persons in accordance with Regulation 2.2.2(i), elect to terminate such appointment and begin or resume acting as the Depository, or nominate another person or persons to perform some or all of the functions of the Depository,

and in each case such nomination or termination, as applicable, shall take effect upon the date specified in such notice.

2.2.3 In the event that the Exchange nominates one or more persons to perform some or all of the functions of the Depository:

(i) the Exchange shall enter into a Service Level Agreement with each such person, under which that person agrees to act as the Depository and comply with the LMEsword Regulations, the LMEsword Operating Procedures and the obligations imposed on it by such agreement;

(ii) the Exchange shall use all reasonable endeavours to ensure that at all times a suitable person is appointed to act as the Depository and take all reasonable steps to ensure that such person acts in accordance with the Service Level Agreement to which it is a party;

(iii) each such person may cease to act as the Depository only in accordance with the terms of the Service Level Agreement; and

(iv) if, following such nomination, more than one person is then currently nominated to perform functions of the Depository in respect of specified Warrants or Immobilised Warrants (as applicable), each such person respectively shall perform the functions of the Depository in relation only to those specified Warrants or Immobilised Warrants (as applicable), and references in the LMEsword Regulations or the LMEsword Operating Procedures to the Depository shall be construed accordingly.

2.2.4 It shall be a condition to the termination of the appointment of the Depository (the "Terminating Depository"), whether by virtue of Regulation 2.2.2 or for any other reason, that effective arrangements have been established to ensure that all Warrants recorded to an Account with that Depository (and any related rights) be cancelled in accordance with Regulation 9 or transferred to the account of one or more replacement Depositories (each a "Replacement Depository") recorded by the LMEsword System, where such Replacement Depository is either the Exchange or appointed by the Exchange in accordance with Regulations 2.2.2 and 2.2.3.

2.2.5 In the event of the Depository ceasing for any reason to act as such, the Exchange is entitled and is hereby appointed for and on behalf of:

(i) each Account Holder, to direct the transfer to a Replacement Depository of all Warrants and Immobilised Warrants (and all related rights), in each case then recorded to an Account with or held by the Terminating Depository;

(ii) the Terminating Depository, to direct the transfer to a Replacement Depository by the Warehouse of any right of the Terminating Depository to immediate possession of the Underlying Metal subject to any Warrant; and

(iii) each Warehouse:

(a) to receive instructions concerning the holding of Underlying Metal represented by a Warrant in the event of a replacement of the Depository; and

(b) for the purposes of making attornment in the event of a replacement of the Depository.

2.3 **Legal Effect of Replacement of the Depository**

2.3.1 By and upon the termination of the Terminating Depository and appointment of a Replacement Depository as Depository becoming effective and the identity of the Replacement Depository being recorded within the LMEsword System,

(i) that Replacement Depository shall act as bailee and the Warehouse shall act as sub-bailee with regard to the Underlying Metal to which each Warrant in respect of which it performs the functions of the Depository and recorded within the LMEsword System relates; and

(ii) if applicable, that Replacement Depository shall act as bailee of any related Immobilised Warrant in respect of which it performs the functions of the Depository,

in each case to the order of the Account Holder to whose Account the relevant Warrant is recorded, for so long as the Warrant remains in its Account.

2.3.2 The termination of the Terminating Depository and appointment of a Replacement Depository shall constitute an instruction by the Exchange, on behalf of each Account Holder, to each of the Depository and Warehouse, to act in accordance with Regulation 2.3.1.

2.3.3 By and upon the appointment of a Replacement Depository and the identity of that Replacement Depository being recorded within the LMEsword System (thereby constituting the accounts with that Replacement Depository):

(i) that Replacement Depository makes attornment, to the effect that it from that point acts as bailee in respect of:

(a) the Underlying Metal represented by each Warrant in respect of which it performs the functions of the Depository; and

(b) if applicable, any related Immobilised Warrant in respect of which it performs the functions of the Depository,

in each case, to the order of the Account Holder to whose Account the Warrant is recorded as bailor; and

(ii) the Exchange makes attornment for and on behalf of the Warehouse that caused (or whose London Agent caused) the relevant Warrant to be created, to the effect that the Underlying Metal shall from that moment be held by the Warehouse to the order of:

(a) the Replacement Depository that performs the functions of the Depository in respect of that Warrant, as bailee for the Account Holder; and

(b) the Account Holder, as bailor,

in each case subject to the terms of Regulations 3.3.1 and 3.3.2.

2.4 **Warehouses**

A warehouse company shall become a Warehouse (and consequently an LMEsword Participant) if:

(i) it applies for such status on the form prescribed by the Exchange from time to time, including all information requested, and pays the prescribed Fee;

(ii) it executes a Warehouse Agreement;

(iii) it appoints a London Agent and procures that the London Agent executes a Software Licence Agreement with the Exchange; and

(iv) its application is accepted by the Exchange.

2.5 **Account Holders - Process**

The Exchange shall admit persons to participate in LMEsword as Account Holders in accordance with these LMEsword Regulations and the LMEsword Operating Procedures. To become an Account Holder the applicant must satisfy the relevant eligibility criteria set out in Regulation 2.6, make or be deemed to make application in accordance with Regulation 2.7 and be accepted as an Account Holder by the Exchange. All persons applying to become Clearing Members must apply to become Account Holders as part of their application to become Clearing Members.

2.6 **Eligibility**

2.6.1 A Clearing Member shall be eligible to become an Account Holder if:

(i) either:

(a) it has entered into a Software Licence Agreement with the Exchange; or

(b) it has entered into a Remote Participant Agreement with an Account Holder which has satisfied the requirements of sub-paragraph (a) or another person approved by the Exchange;

(ii) it has an office within the United Kingdom or European Union, or, if it does not have an office within the United Kingdom or European Union, it has satisfied any special criteria for participation in LMEsword from outside the United Kingdom or European Union that the Exchange may at its discretion from time to time prescribe; and

(iii) it satisfies any and all other criteria for Clearing Participants which the Exchange may from time to time prescribe.

2.6.2 A Category 4 Member shall be eligible to become an Account Holder if:

(i) either:

(a) it has entered into a Software Licence Agreement with the Exchange; or

(b) it has entered into a Remote Participant Agreement with an Account Holder which has satisfied the requirements of sub-paragraph (a) or another person approved by the Exchange;

(ii) it has an office within the United Kingdom or European Union, or, if it does not have an office within the United Kingdom or European Union, it has satisfied any special criteria for participation in LMEsword from outside the United Kingdom or European Union that the Exchange may at its discretion from time to time prescribe; and

(iii) it satisfies any and all other criteria for Account Holders which the Exchange may from time to time prescribe.

2.6.3 Notwithstanding any other provision of this Regulation 2.6, the Clearing House shall be deemed eligible to become an Account Holder.

2.6.4 For the avoidance of doubt, no person is eligible to become an Account Holder unless they are:

(i) a Clearing Member;

(ii) a Category 4 Member; or

(iii) the Clearing House.

2.7 **Applications for Account Holder Status**

2.7.1 An application for admission as an Account Holder shall be made on the form prescribed by the Exchange from time to time, including all information requested, and be accompanied by the prescribed Fee.

2.7.2 The Exchange shall consider each application received and determine whether, in its discretion, the applicant is eligible to become an Account Holder in accordance with these LMEsword Regulations and is a fit and proper person to be an Account Holder.

2.7.3 The Exchange may require from the applicant such information, and institute such investigations to verify information submitted by the applicant, as it deems necessary. The Exchange may require the applicant to attend for interview by the Exchange prior to determining whether to accept an application or admit an applicant as an Account Holder.

2.7.4 If the Exchange determines to admit an applicant as an Account Holder, it shall promptly notify the applicant in writing thereof, the further steps it must take prior to its admission becoming effective (if any) and subject to the carrying out of any such steps to the satisfaction of the Exchange, the date upon which that admission shall become effective.

2.7.5 If the Exchange determines not to admit an applicant as an Account Holder, it shall notify the applicant with a statement of reasons for the refusal and the applicant may within 14 days of being notified of the Exchange's determination lodge a notice of appeal with the

Secretary. Appeal under this Regulation shall be dealt with in the same way as under Regulation 2.8 of Part 2 of the Rules.

2.8 **Withdrawal from Participation in LMEsword**

2.8.1 Without prejudice to Regulation 2.9, an LMEsword Participant shall only cease to be an LMEsword Participant as follows:

(i) a Warehouse shall cease to be a LMEsword Participant at the same time as it ceases to be an Exchange listed warehouse in accordance with the terms of the Warehouse Agreement, but not otherwise;

(ii) a Clearing Participant may withdraw from LMEsword in accordance with the remainder of this Regulation 2.8 at the same time as it ceases to be a Clearing Member, but not otherwise; and

(iii) the Clearing House shall cease to be an Account Holder only on its ceasing to act as the Clearing House.

2.8.2 An Account Holder wishing to cease to be an LMEsword Participant must issue a Withdrawal Notice to the Secretary. Prior to issuing a Withdrawal Notice, the Account Holder shall transfer or cancel all of its Warrants in accordance with Regulation 7 or 9 respectively.

2.8.3 The Exchange may, in its discretion, refuse a Withdrawal Notice, postpone the effective date of the proposed withdrawal and/or make the effective date of the proposed withdrawal dependent upon any condition specified by the Exchange if it considers it necessary for the protection of clients, or otherwise in the interests of the market, or if the Account Holder in question has any outstanding liabilities to the Exchange or is the subject of any investigation or action under the Rules or Regulation 2.9.

2.8.4 On the Exchange accepting a Withdrawal Notice, the Exchange shall notify the Account Holder in writing of its acceptance thereof and the effective date of the withdrawal (subject to any condition specified by the Exchange) and notify all other LMEsword Participants and the Depository thereof.

2.8.5 On the withdrawal of any LMEsword Participant under this Regulation 2.8, it shall cease to be entitled to exercise any right which it would have been entitled to exercise in its capacity as an LMEsword Participant immediately prior to such withdrawal, or otherwise. An Account Holder which withdraws from LMEsword shall (for the avoidance of doubt) continue to be subject to the Rules for as long as it remains a Member and thereafter in accordance with Regulation 10 (Withdrawal from Membership) of Part 2 of the Rules.

2.9 **Removal from LMEsword Participation and Discipline**

2.9.1 An Account Holder shall be subject to discipline in respect of any breach by it of the LMEsword Regulations or the LMEsword Operating Procedures in the same way as it is in respect of a breach of any other Rule, and in respect of any other act undertaken in connection with LMEsword if it constitutes an act of misconduct within the meaning of Regulations 13 (Investigation) and 14 (Discipline) of Part 2 of the Rules. In addition, Clearing Participants shall be subject to discipline for breach of any LMEsword Regulation or Operating Procedure relating to the transfer of Warrants to the Clearing

House. The procedures and penalties in respect of such discipline shall be as prescribed by the Exchange from time to time.

2.9.2 An Account Holder may have its LMEsword Participant status removed by notice served on it by the Exchange where it ceases to be eligible therefor in accordance with Regulation 2.6.

2.9.3 Where an Account Holder has its status removed, it must transfer or cancel all Warrants credited to its Accounts forthwith in accordance with Regulation 7 or 9, respectively.

2.9.4 A Warehouse shall be liable to discipline for any breach by it or its London Agent of the LMEsword Regulations, the LMEsword Operating Procedures and the Software Licence Agreement in the same way as it is for a breach of any of its other obligations under the Warehouse Agreement. It accepts responsibility for and undertakes to procure compliance by its London Agent with any obligations applicable to or performed by or purportedly performed by the London Agent thereunder. Where a London Agent has breached any of its (or the Warehouse's) obligations under the LMEsword Regulations the Exchange may direct that the relevant Warehouse appoint a different London Agent as a pre-condition to the Warehouse continuing as such.

2.10 Change of Account Holder Status

An Account Holder shall cease to be an Account Holder at the time it ceases to be a Member.

2.11 Replacement of the LMEsword System

The Exchange may terminate the use of the LMEsword System by serving not less than 3 months' prior written notice on all LMEsword Participants and (unless the Exchange or its Affiliate acts as the Depository) the Depository where it determines, after consultation with LMEsword Participants and the Depository (if applicable), that it is necessary or desirable for the LMEsword System to be replaced by another system for the transfer of Warrants or delivery of Underlying Metal, or for its use otherwise to be terminated.

2.12 Security

Each LMEsword Participant and the Depository must comply with the requirements and procedures relating to security set out in the LMEsword Operating Procedures. If and for so long as the Exchange (or any of its Affiliates) performs the functions of the Depository, it shall comply with such security requirements and procedures as may be specified in the LMEsword Operating Procedures for this purpose.

3 CREATION OF WARRANTS

3.1 Responsibility for Warrant Creation

3.1.1 Each Warehouse shall be responsible for the creation of all of its Warrants and Immobilised Warrants.

3.1.2 Each Warehouse shall be responsible for ensuring that each of its Warrants and Immobilised Warrants created within LMEsword is created in accordance with the requirements of the law under which they are issued, as well as the terms of the Warehouse Agreement.

3.1.3 The Warehouse and its London Agent shall be responsible to ensure that the details of each Warrant Lodgement Instruction, each Warrant and Immobilised Warrant (in each case, including any replacement) are accurate at all times, including with regard to the specific and ascertained Underlying Metal. The Warehouse shall be solely responsible for any loss caused as a result of any inaccurate Warrant Lodgement Instruction, Warrant or Immobilised Warrant.

3.1.4 The terms of each Warehouse Agreement shall govern the requirements relating to the issue of Warrants and Immobilised Warrants.

3.1.5 Each Warehouse shall procure that its London Agent shall execute and comply with the terms of the Software Licence Agreement and gain LMEsword accreditation in accordance with the LMEsword Operating Procedures. Each Warehouse shall procure that its London Agent shall comply with the procedures laid down in the LMEsword Operating Procedures.

3.1.6 Each Warehouse, pursuant to the relevant Warehouse Agreement, has appointed (failing which it hereby appoints) as its agent:

(i) the Exchange, for the purposes of the creation of Warrants; and

(ii) the Depository, for the purposes of the creation of Immobilised Warrants.

3.2 **Warrant Creation**

3.2.1 All Warrants and Immobilised Warrants shall be created utilising the LMEsword Software.

3.2.2 An Account Holder may request the creation of a Warrant where:

(i) it has obtained a Metal Entitlement on its own behalf (whether or not as owner);

(ii) it has obtained a Metal Entitlement on behalf of a Customer; or

(iii) a person other than the Account Holder, which may be a Customer, has a Metal Entitlement and has instructed the Account Holder to request the creation of a Warrant on its behalf.

3.2.3 By and upon requesting the creation of a Warrant, the relevant Account Holder warrants, represents and undertakes that it or such other person referred to in Regulation 3.2.2(iii) has lawfully obtained a Metal Entitlement and that no other person has any right, title or interest in relation to or the Underlying Metal.

3.2.4 Nothing shall constitute a Metal Entitlement unless it:

(i) has been issued by or on behalf of a Warehouse;

(ii) is either:

(a) held by the original depositor of the Underlying Metal, who would otherwise be entitled to the issuance, by or on behalf of the relevant Warehouse and in respect of such Underlying Metal, to a negotiable instrument in bearer form or capable of being endorsed to a transferee, in

each case that is capable of transferring property in the Underlying Metal by virtue of transfer of the instrument; or

(b) a negotiable instrument in bearer form, or duly endorsed to the Account Holder, its Customer or such other person referred to in Regulation 3.2.2(iii) by the original depositor of the Underlying Metal or the last named transferee taking title under a continuous chain of endorsements, and is capable of transferring property in the Underlying Metal by delivery of such instrument, or where endorsed, by endorsement and delivery;

(iii) remains valid in accordance with its terms and has not been marked "cancelled" or with any other language indicating that it has or may have ceased to be valid; and

(iv) is not materially damaged or defaced.

3.2.5 In order to request the creation of a Warrant, an Account Holder shall present a Metal Entitlement to the London Agent of the relevant Warehouse, together with a request for the creation of a Warrant.

3.2.6 The Warehouse shall procure that its London Agent shall, on behalf of the Warehouse:

(i) satisfy itself that the conditions for the creation of a Warrant prescribed in the LMEsword Regulations are met, including as to the relevant Metal Entitlement and that it has been presented by an Account Holder or its authorised representative;

(ii) verify that the details of the Metal Entitlement and the Underlying Metal correspond to those recorded in the Warehouse's books and records;

(iii) as applicable, hold or record the Metal Entitlement to the order of the person presenting the Metal Entitlement to the London Agent until its cancellation in accordance with paragraph (vii);

(iv) undertake reasonable enquiries to ensure that:

(a) no person other than the Account Holder, its Customer or such other person referred to in Regulation 3.2.2(iii) and that has been disclosed to the London Agent has any right, title or interest in the Underlying Metal; and

(b) no other Metal Entitlement or other warehouse warrant, warehouse receipt or other document representing or acknowledging receipt of the Underlying Metal by the warehouse has been issued;

(v) issue a Warrant Lodgement Instruction within the LMEsword System in accordance with the LMEsword Operating Procedures;

(vi) notify the Warrant Lodgement Instruction to the Account Holder within the LMEsword System and otherwise than by means of the LMEsword System, provide the Account Holder with a security code for the purposes of verifying and approving the Warrant Lodgement Instruction; and

(vii) immediately upon creation of the relevant Warrant within the LMEsword System, mark or record, as applicable, the corresponding Metal Entitlement "cancelled" or, if the relevant Warrant is not created within the LMEsword System, make the Metal Entitlement available for collection by the person presenting it, if applicable.

3.2.7 Upon being notified of the Warrant Lodgement Instruction, the Account Holder shall, in accordance with the LMEsword Operating Procedures, be required to verify and approve each Warrant Lodgement Instruction it causes to be issued, failing which that Warrant Lodgement Instruction shall be rejected within the LMEsword System.

3.2.8 Subject to Regulations 3.2.9 and 12.3.2, as soon as reasonably practicable following the verification and approval of a Warrant Lodgement Instruction and the satisfactory completion of any other authorisation or verification requirements prescribed in the LMEsword Operating Procedures from time to time:

(i) the Exchange shall, acting as agent of the Warehouse, create a Warrant and cause it to be recorded in the LMEsword System to the Account of the Account Holder identified as such in the Warrant Lodgement Instruction; and

(ii) if the Warrant Lodgement Instruction was in relation to Underlying Metal located in an Immobilisation Jurisdiction, in addition to the creation of a Warrant, the Depository shall, acting as agent of the Warehouse, also create an Immobilised Warrant and, from that moment and subject to Regulation 3.2.9(iv), hold it in accordance with Regulations 3.3.1 and 3.3.2. Such an Immobilised Warrant shall be created in accordance with the LMEsword Operating Procedures.

3.2.9 Neither the Exchange nor the Depository:

(i) shall be required to verify any of the details of any Metal Entitlement, Warrant Lodgement Instruction, Warrant, Immobilised Warrant or the Underlying Metal;

(ii) shall verify, or be under any obligation to verify, the authenticity or validity of any Metal Entitlement, Warrant Lodgement Instruction, Warrant or Immobilised Warrant;

(iii) is under any obligation to create any Warrant or Immobilised Warrant (as applicable) in circumstances in which it is not satisfied, in its discretion, that the requirements of these LMEsword Regulations are met, and each of the Exchange and the Depository may at any time in its discretion refuse to create a Warrant or Immobilised Warrant (as applicable), in which case the relevant Warrant Lodgement Instruction shall be rejected by the LMEsword System; or

(iv) shall have any responsibility in relation to a Warrant or Immobilised Warrant until it has been recorded to an Account.

3.3 **Legal Effect of Account Entries**

3.3.1 By and upon the crediting of a Warrant by the LMEsword System to an Account Holder's Account on creation of a Warrant, and for as long as it is so recorded:

(i) that Account Holder shall be bailor, the Depository shall be bailee and the Warehouse shall be sub-bailee, in each case in respect of the Underlying Metal and on the terms set out in Regulation 3.3.2;

(ii) unless and until the relevant Warrant is withdrawn in accordance with Regulation 8 or cancelled in accordance with Regulation 9:

(a) subject to Regulation 3.3.1(ii)(b), no person other than the Account Holder to whose Account that Warrant is credited from time to time shall be entitled to immediate possession of the Underlying Metal, such right being exercisable solely and exclusively in accordance with the terms of Regulation 9. Any arrangement otherwise agreed between the Warehouse on the one hand, and any person referred to in Regulation 3.2.2 on the other, is varied accordingly; and

(b) the Depository shall be entitled to immediate possession of the Underlying Metal, as bailee on behalf of the Account Holder to whose Account that Warrant is credited from time to time;

(iii) other than through the exercise of its right to immediate possession in accordance with Regulation 9, the Account Holder shall have no right to call for delivery or possession of the Underlying Metal, or otherwise to terminate the bailments arising under Regulation 3.3.1(i) or cause to be terminated the Depository's right to immediate possession arising under Regulation 3.3.1(ii)(b); and

(iv) with regard to any Immobilised Warrant, the Depository shall be a bailee and the Account Holder shall be bailor on the terms set out in this Regulation 3.3.1 and Regulation 6.7.1.

3.3.2 The bailment relationships arising pursuant to Regulation 3.3.1(i) shall be:

(i) governed by and construed in accordance with English law;

(ii) on the terms of these LMEsword Regulations (including Regulation 3.3.1(ii)(a)); and

(iii) in respect of the Warehouse's obligations as bailee:

(a) subject to the contractual terms forming part of the arrangements otherwise agreed between the Warehouse and that Account Holder or, to the extent no such arrangements have expressly been agreed, the Warehouse's standard terms of business, in each case subject to these LMEsword Regulations or the Rules which shall prevail insofar as they conflict with such contractual terms; and

(b) on the undertaking hereby from that Warehouse to the Account Holder from time to time that, in receiving the Underlying Metal and placing it on Warrant, the Warehouse is not aware of any latent defects in the

Underlying Metal, and has complied with, and will comply with, all requirements of the Warehouse Agreement (including concerning the storage of Underlying Metal), all applicable laws and regulations.

3.3.3 A Warrant Lodgement Instruction shall constitute an instruction by the Account Holder on its own account and, if it had obtained the related Metal Entitlement for a Customer or was instructed by such other person referred to in Regulation 3.2.2(iii), as agent of that Customer or such other person (as applicable), to each of the Depository, Warehouse and, if applicable, the Account Holder, to act in accordance with Regulation 3.3.1.

3.3.4 By and upon the crediting of a Warrant to the Account of an Account Holder on creation of that Warrant, the Depository makes attornment:

(i) on its own behalf, to the effect that it from that point acts as bailee in respect of:

(a) the Underlying Metal; and

(b) if applicable, any related Immobilised Warrant,

in each case, with that Account Holder as bailor in accordance with the terms of Regulations 3.3.1 and 3.3.2; and

(ii) for and on behalf of the Warehouse that caused (or whose London Agent caused) the Warrant to be created, to the effect that the Underlying Metal shall from the moment of the crediting of the Warrant to the Account Holder's Account be held by the Warehouse to the order of the Depository and the Account Holder, respectively, in accordance with the terms of Regulations 3.3.1 and 3.3.2.

3.3.5 Unless the Account Holder and Depository expressly agree otherwise, it is intended that constructive possession of (being a property interest in) the Underlying Metal shall pass by virtue of these LMEsword Regulations, so as to be held in accordance with the terms of Regulations 3.3.1 and 3.3.2, at the time the Underlying Metal is constructively delivered in accordance with Regulation 3.3.4, that is, at the time the Account of the Account Holder is credited with the corresponding Warrant immediately following its creation within LMEsword.

3.3.6 The Depository, and each Warehouse respectively, each acknowledge that the Account Holder may itself be a bailee with its Customer as bailor in respect of any Underlying Metal or Immobilised Warrant relating to a Warrant recorded to that Customer's Account; however, neither the Depository, nor any Warehouse, shall be bound by or recognise any interest in any Warrant, Immobilised Warrant or any related Underlying Metal, other than the interest of the Account Holder to whose Account the relevant Warrant is recorded.

3.3.7 Each Account Holder warrants, represents and undertakes that, for so long as a Warrant is recorded within LMEsword to its Account, it shall not, with regard to the Underlying Metal, purport to:

(i) effect any transfer of any right, title or interest in or to that Underlying Metal, other than pursuant to the LMEsword Regulations; or

(ii) exercise any right to possession in that Underlying Metal, other than in accordance with Regulation 9,

and, in each case, it shall only do so in compliance with all laws and regulations of each jurisdiction which are or may be applicable to one or more of the Account Holder, the Warrant, any Immobilised Warrant (if applicable), the Underlying Metal or any transfer agreement or security arrangement.

3.3.8 Each Account Holder agrees that upon the crediting of a Warrant to its Account, the storage terms of business of the relevant Warehouse shall be deemed to apply between the Account Holder and the Warehouse, unless alternative contractual terms have otherwise been agreed between the parties. In each case, such Warehouse storage terms of business or alternative contractual terms shall be subject to these LMEsword Regulations or the Rules, which shall prevail in the case of any conflict.

4 THE DEPOSITORY

4.1 Role of the Depository

4.1.1 The Depository agrees with each Account Holder to act as bailee in accordance with Regulations 3.3.1, 3.3.2 and 4.2, and keep safe all Immobilised Warrants held by it in accordance with these LMEsword Regulations to the order of the Account Holder to whose Account they are credited from time to time in accordance with these LMEsword Regulations.

4.1.2 Each Warehouse, pursuant to the relevant Warehouse Agreement (failing which, it hereby appoints) appoints the Depository as its agent:

(i) to receive instructions concerning the holding of the Underlying Metal; and

(ii) for the purposes of making attornments for and on behalf of that Warehouse in accordance with these LMEsword Regulations.

4.1.3 The Depository shall use all reasonable care in the performance of its duties expressly set out in these LMEsword Regulations (but shall not assume any obligation or liability other that as specifically set out in these LMEsword Regulations) and shall act honestly, in good faith and without negligence or recklessness so as to preserve and protect all Immobilised Warrants held by it and shall exercise the degree of care, diligence and skill in the performance of those duties that may be reasonably expected of a prudent custodian in comparable circumstances.

4.1.4 Where an Account Holder has duly established a Customer Account and a Warrant is credited to such a Customer Account, subject to Regulation 6.4.4, where it would otherwise act as the bailee of the Account Holder under these LMEsword Regulations, the Depository will instead act as sub-bailee to the order of the Account Holder in its capacity as bailee for its Customer. The Account Holder's Customer shall not, however, be a customer of the Depository and any duties to the Customer shall be owed by the Account Holder alone. Without prejudice to Regulation 5.1.3, the Depository acts as sub-bailee pursuant to this Regulation 4.1.4 to the order only of the Account Holder exclusively and except as required by law the Depository shall not be bound by or recognise any other interest whatsoever in any Warrant, Immobilised Warrant or any Underlying Metal (including, any interest of any Customer of the Account Holder for which the Depository may act as sub-bailee). Each Account Holder agrees to incorporate this Regulation 4.1.4 as a term in each agreement the Account Holder holds with its

Customer, and such term shall take precedence over any contrary provision in any such agreement.

4.1.5 The Depository agrees to hold or record any Warrant that belongs to it, if any, separately from any Warrant credited to an Account of an Account Holder.

4.1.6 The Depository shall have a lien or right of retention over a Warrant or Immobilised Warrant credited to an Account, and the related Underlying Metal, where a person other than the Account Holder shall claim an interest in such Warrant or Immobilised Warrant or the related Underlying Metal. The Depository will not otherwise claim any lien or right of retention or sale over any Warrant or Immobilised Warrant credited to an Account or related Underlying Metal.

4.2 **Delivery up**

4.2.1 Each Account Holder agrees that, except as expressly provided in Regulation 4.2.2:

(i) all rights and remedies to which that Account Holder may otherwise be entitled as bailor with regard to the Depository as its bailee are hereby expressly excluded; and

(ii) correspondingly the Depository shall owe no duty or obligation to that Account Holder as bailee.

4.2.2 The sole obligations of the Depository as bailee towards any Account Holder as bailor shall be, with respect to:

(i) the Underlying Metal relating to each Warrant recorded to the Account of that Account Holder:

(a) to direct and otherwise assist with the delivery, as bailee with the Warehouse as sub-bailee, of the Underlying Metal to the order of the Account Holder, provided that the Depository shall not be required to take any action or expend or risk its own funds or otherwise incur any risk or financial liability in the performance of its duties or the exercise of any power, rights, authority or discretion in connection with its role as Depository if it has grounds for believing that the taking of any such action or the expenditure or risk of its liability or own funds may expose it to a risk of cost or loss, including the non-repayment of the funds, the recovery of which is not assured to it unless and until it has first been provided with an indemnity and/or security and/or pre-funding as it determines to be satisfactory to it against such risk or liability; and

(b) subject to Regulations 12.8.4 and 12.8.5, to account to the Account Holder for any other proceeds of the Underlying Metal then in the hands of the Depository,

provided at all times that the Account Holder has first sought to exercise all other rights and remedies, or potential rights or remedies, as against the Warehouse and any third party against whom it may have such a right or remedy, including under Regulations 8 and 9, and any arrangements agreed with the Warehouse; and

(ii) any Immobilised Warrant held by the Depository as bailee for that Account Holder as bailor, to deliver up that Immobilised Warrant in circumstances in which physical possession by the Account Holder of the Immobilised Warrant is the sole means for the Account Holder effectively to exercise or enforce its rights in relation to the Underlying Metal relating to that Immobilised Warrant (for example, where the Immobilised Warrant is required in court proceedings), in which case the Immobilised Warrant shall be delivered up by the Depository:

(a) in exchange for receipt by the Depository of an indemnity in an amount not less than the value of the Underlying Metal, or such other amount as the Depository, in its discretion, determines;

(b) subject to the satisfaction of the Depository that appropriate arrangements have been made to safeguard the Immobilised Warrant and ensure its redelivery to the Depository; and

(c) provided that the related Warrant is recorded in the LMEsword System as "out of depository" for so long as the relevant Immobilised Warrant is not in the physical possession of the Depository,

in each case provided that the relevant Warrant is recorded to the Account of that Account Holder and is not marked "out of depository", "cancelled", "not valid" or "rent not paid".

4.2.3 Nothing in these LMEsword Regulations shall require the Depository to oppose any court order legally enforceable against the Depository in respect of any Underlying Metal, Immobilised Warrant, or the proceeds thereof.

5 ACCOUNTS

5.1 Requirement to hold Accounts

5.1.1 All Account Holders must have at least one Account to which Warrants created on their behalf or transferred to them under the LMEsword Regulations shall be credited. An Account Holder may establish more than one Account.

5.1.2 All Accounts shall be established in accordance with the LMEsword Operating Procedures.

5.1.3 Each Account Holder agrees that, in the context of any Warrant credited to an Account, the Depository shall act as bailee (or in the case of a Customer Account, sub-bailee), and the Warehouse shall act as sub-bailee (or in the case of a Customer Account, ultimate sub-bailee) in accordance with Regulations 3.3.1 and 3.3.2 to the order of the Account Holder exclusively and, except as required by law, neither the Depository nor the Warehouse shall be bound by or recognise any other interest in respect of any Warrant, Immobilised Warrant or Underlying Metal whatsoever (including any interest of any Customer of the Account Holder).

5.2 Customer Accounts

Only an Account Holder permitted by applicable law to hold Warrants and, if applicable, Immobilised Warrants for Customers may establish a Customer Account. Any Account Holder wishing to establish a Customer Account must obtain the express written agreement of each Customer authorising them to cause the creation of Warrants and, if

applicable, Immobilised Warrants held for the Customer with the Depository on the terms of the LMEsword Regulations and to deal with such Warrants and, if applicable, Immobilised Warrants on the Customer's behalf. Subject to Regulation 6.4.4, only where an Account Holder acts as a bailee for a Customer may Warrants be credited to a Customer Account in accordance with the LMEsword Regulations.

5.3 **Clearing Participant Accounts**

Each Clearing Participant shall have an Account (a "House Collection Account") for the purpose of receiving transfers of Warrants in respect of the account maintained with the Clearing House to reflect the Clearing Participant's proprietary business, and another Account (a "Customer Collection Account") for the purpose of receiving transfers of Warrants in respect of its client account(s) with the Clearing House, as provided for in Regulation 6.4. A Customer Collection Account shall not constitute a Customer Account and the Account Holder shall promptly effect Inter-Account Transfers of Warrants credited to it to one or more Customer Accounts in satisfaction of its delivery obligations to Customers.

6 TRANSFER OF WARRANTS WITHIN LMESWORD

6.1 **Transfers**

An Account Holder shall be entitled to transfer within LMEsword in accordance with Regulation 6.2, 6.3, 6.4 or 6.5 any Warrant which is credited to its Account provided (other than for an Inter-Account Transfer between House Accounts under Regulation 6.5) it has not been marked "rent not paid" in accordance with Regulation 7 or "not valid" in accordance with Regulation 11.

6.2 **Ex-cleared Transfers**

6.2.1 An Account Holder wishing to transfer a Warrant or Warrants credited to its Account (referred to as the "Giver") to another Account Holder (the "Taker") shall issue an Ex-cleared Transfer Instruction identifying the Taker in accordance with the LMEsword Operating Procedures and specifying manual or automatic release. No Ex-cleared Transfer Instruction shall be accepted by the LMEsword System in respect of a Warrant which is subject to a prior and outstanding Ex-cleared Transfer Instruction.

6.2.2 The Taker shall be notified of any Ex-cleared Transfer Instruction issued identifying it as the Taker and of the details of the Warrants the subject of the Instruction. The Taker shall then either:

(i) issue an Ex-cleared Transfer Accept Instruction in accordance with the LMEsword Operating Procedures, specifying the Account the Warrants should be credited to; or

(ii) issue an Ex-cleared Transfer Reject Instruction in accordance with the LMEsword Operating Procedures.

6.2.3 Where a Taker has issued an Ex-cleared Transfer Reject Instruction, the relevant Ex-cleared Transfer Instruction shall be automatically cancelled and the Giver may issue a further Ex-cleared Transfer Instruction in respect of the same or different Warrants.

6.2.4 Where a Taker duly issues an Ex-cleared Transfer Accept Instruction in respect of an Ex-cleared Transfer Instruction in which the Giver specified automatic release, the Warrants subject to the Ex-cleared Transfer Instruction shall immediately upon receipt by the LMEsword System of the Ex-cleared Transfer Accept Instruction be credited to the specified Account of the Taker.

6.2.5 Where a Taker duly issues an Ex-cleared Transfer Accept Instruction in respect of an Ex-cleared Transfer Instruction in which the Giver specified manual release, the Giver shall be notified and, if it wishes to effect the transfer, shall issue an Ex-cleared Release Instruction in accordance with the LMEsword Operating Procedures. Immediately upon receipt by the LMEsword System of such Ex-cleared Release Instruction the Warrants subject to the Ex-cleared Transfer Instruction shall be debited from the Giver's Account(s) and credited to the relevant Account of the Taker.

6.3 **Pledging**

6.3.1 Where an Account Holder wishes to effect a pledge in favour of another Account Holder, it may carry out an ex-cleared transfer under Regulation 6.2.

6.3.2 Following such a transfer and the debiting and crediting of the relevant Accounts, the Depository shall act as bailee of the Taker exclusively, without notice of any interest of the Giver, whether as pledgor or otherwise. The Taker shall accordingly as against the Depository be entitled to transfer any Warrant transferred to it by the Giver and credited to its Account to any other Account Holder in accordance with this Regulation 6, or to effect a withdrawal or cancellation in accordance with Regulation 8 or 9.

6.3.3 In the event that such a Taker (the "Original Taker") re-transfers a Warrant by way of an ex-cleared transfer under Regulation 6.2 to the original Giver (the "Original Giver") pursuant to a trust receipt agreement entered into by them, the Depository shall act as bailee to the order of the Original Giver (which will be a Taker under the second transfer) exclusively, without notice of the Original Taker's interest therein. The Original Giver shall accordingly as against the Depository be entitled to transfer any such Warrant to any other Account Holder in accordance with this Regulation 6 and effect a withdrawal or cancellation in accordance with Regulation 8 or 9.

6.3.4 Neither the Exchange nor the Depository assumes any responsibility as to the efficacy of any pledge or other security arrangement, or any trust receipt agreement or other arrangement in respect of which a transfer is effected through the LMEsword System. Neither the Exchange nor the Depository shall have any liability for any damage, loss, expense or liability of any nature (except to the extent of any direct losses or expenses attributable to its fraud or wilful deceit) in relation to any such agreement or arrangement.

6.3.5 Each Account Holder represents, warrants and undertakes that, to the extent it seeks to effect a transfer within the LMEsword System by way of enforcement of its rights under any pledge or other security arrangement, such transfer is in full compliance with the laws and regulations of each jurisdiction which are or may be applicable to one or more of that transfer, the pledge or other security arrangement (or the parties thereto, including their insolvency, if applicable), the Account Holder, the Warrant and, if applicable, any Immobilised Warrant, and the Underlying Metal.

6.4 **Cleared Transfers**

6.4.1 This section relates only to Account Holders which are Clearing Members ("Clearing Participants") and the Clearing House.

6.4.2 Subject to and in accordance with the Clearing House Rules and the LMEsword Operating Procedures and the terms of the relevant Contract, each Clearing Participant (a "Giving Clearing Participant") which has an obligation to transfer Warrants to the Clearing House in respect of any of its accounts (including, if applicable, its client account(s)) with the Clearing House for that day shall be notified by the LMEsword System of its obligations to transfer Warrants.

6.4.3 By the time specified in the LMEsword Operating Procedures, each Giving Clearing Participant shall issue a Cleared Transfer Instruction in respect of each of its obligations to transfer Warrants, in accordance with the LMEsword Operating Procedures, specifying the Warrants to be transferred and the Account(s) from which they should be debited and identifying the Clearing House as the taker of the Warrants.

6.4.4 At the time that a transfer is required to be made to the Clearing House under the LMEsword Operating Procedures, the Warrants subject to the Cleared Transfer Instruction shall be debited from the relevant Account(s) of the Giving Clearing Participant and credited to the Clearing House's Account. Where a Customer Account is so debited, the Warrant(s) in question shall be deemed to be transferred first to the Giving Clearing Participant and then immediately transferred on by the Giving Clearing Participant to the Clearing House.

6.4.5 Subject to and in accordance with the Clearing House Rules and the LMEsword Operating Procedures, the LMEsword System shall allocate the transferred Warrants for transfer to each Clearing Participant which has a transfer entitlement in respect of any of its accounts (including, if applicable, its client account) with the Clearing House for that day (a "Taking Clearing Participant"). At the time determined by the Clearing House in accordance with the LMEsword Operating Procedures, the Clearing House shall issue a Cleared Transfer Instruction in accordance with the LMEsword Operating Procedures in respect of each such transfer entitlement, specifying the Warrants to be transferred, whereupon such Warrants shall be debited from the Clearing House's Account and credited to each Taking Clearing Participant's Customer Collection Account (in the case of Warrants allocated in satisfaction of a transfer entitlement in respect of a Taking Clearing Participant's client account(s) with the Clearing House) or House Collection Account (in the case of other Warrants). For the avoidance of doubt, each transfer of Warrants to Taking Clearing Participants shall occur on their Accounts being credited and not at the time of allocation.

6.4.6 The LMEsword System shall calculate and notify to the Clearing House the liabilities arising consequent on such cleared transfers due to differences between the weight of metal agreed to be sold and the actual weight of the Underlying Metal represented by the Warrants so transferred and accrued but unpaid rent thereon.

6.4.7 Where a Taking Clearing Participant is or may be a defaulter under the default rules of the Clearing House, Warrants shall be credited to the Taking Clearing Participant's account as provided for in Regulation 6.4.5. If the Clearing House so determines, such Warrants shall, however, immediately be re-transferred back to the Clearing House and

in those circumstances the Warrants in question shall be deemed for all purposes not to have been so credited but to have remained in the Clearing House's account.

6.5 **Inter-Account Transfers**

6.5.1 An Account Holder which has more than one Account shall be entitled to transfer Warrants held in any of its Accounts to any other of its Accounts by issuing an Inter-Account Transfer Instruction in accordance with the LMEsword Operating Procedures, provided that in the case of such transfers to or from a Customer Account the Warrant is not marked "rent not paid" in accordance with Regulation 8 or "not valid" in accordance with Regulation 11. On the issue of an Inter-Account Transfer Instruction in accordance with the LMEsword Operating Procedures, each Warrant subject to the Inter-Account Transfer Instruction shall be debited from and credited to the relevant Accounts.

6.5.2 Where an Account Holder issues an Inter-Account Transfer Instruction pursuant to which a Warrant will be transferred to a Customer Account from a House Account, the Depository acknowledges that following the debiting of the Warrant from the House Account and its crediting to the Customer Account it shall hold the Warrant in accordance with Regulation 4.1.4.

6.5.3 Where an Account Holder issues an Inter-Account Transfer Instruction pursuant to which a Warrant will be transferred from a Customer Account to a House Account, the Depository acknowledges that following transfer it shall cease to hold the Warrant in accordance with Regulation 4.1.4.

6.6 **Use of LMEsword for Settlement of Non-Platform Contracts**

LMEsword shall not be used to settle Non-LME Platform Contracts in breach of the requirements specified in Regulation 20 of Part 2 of the Rules (*Restrictions on use of LME Property or Systems for Non-Exchange Contracts*). Such restriction shall apply to any Account Holder (whether with regard to Warrants recorded to a House Account or a Customer Account).

6.7 **Legal Effect of Transfers**

6.7.1 By and upon the debiting of a Warrant by the LMEsword System from the Account of the Transferor and its crediting to the Account of the Transferee:

(i) the Depository shall act as bailee and the Warehouse shall act as sub-bailee with regard to the Underlying Metal; and

(ii) if applicable, the Depository shall act as bailee of any related Immobilised Warrant,

in each case to the order of the Transferee as bailor for as long as the Warrant remains in its Account, and in accordance with the terms of Regulations 3.3.1 and 3.3.2.

6.7.2 The Ex-cleared Release Instruction (in the case of ex-cleared transfers under Regulation 6.2.5), the Ex-cleared Transfer Instruction and Ex-cleared Transfer Accept Instruction (in the case of ex-cleared transfers under Regulation 6.2.4) and the Cleared Transfer Instruction (in the case of cleared transfers under Regulation 6.4) shall constitute an instruction by the Transferor (and, as applicable, the Transferee), on behalf of the

Transferor and Transferee, to each of the Depository and Warehouse, to act in accordance with Regulation 6.7.1.

6.7.3 By and upon the crediting of a Warrant by the LMEsword System to the Account of the Transferee from the Account of the Transferor, the Depository makes attornment:

(i) to the effect that it from that point acts as bailee in respect of:

(a) the Underlying Metal; and

(b) if applicable, any related Immobilised Warrant,

in each case, to the order of the Transferee as bailor in accordance with the terms of Regulations 3.3.1 and 3.3.2; and

(ii) for and on behalf of the Warehouse that caused (or whose London Agent caused) the Warrant to be created, to the effect that the Underlying Metal shall from the moment of the crediting of the Warrant to the Account Holder's Account be held by the Warehouse to the order of:

(a) the Depository, as bailee for the Account Holder; and

(b) the Transferee, as bailor,

in each case in accordance with the terms of Regulation 3.3.1 and 3.3.2.

6.7.4 Unless the parties otherwise agree, property in the Underlying Metal shall pass at the time the Warrant is transferred, that is at the time the parties' Accounts are debited and credited.

6.7.5 The Depository shall not disclose to any Warehouse the identity of any Account Holder to whose order Underlying Metal is held from time to time, unless explicitly provided for in these Regulations or the Exchange directs it to.

7 LIABILITY FOR RENT PAYMENTS, INSURANCE, TAX AND OTHER CHARGES

7.1 Rent Schedules

7.1.1 Each Account Holder may in accordance with the LMEsword Operating Procedures obtain from the LMEsword System a rent schedule report setting out its accrued and due rent payment obligations in respect of Warrants credited to its Accounts.

7.1.2 Each London Agent may in accordance with the LMEsword Operating Procedures obtain from the LMEsword System a rent schedule report setting out the aggregate amount of rent accrued and due in respect of all Warrants or Immobilised Warrants issued by it, including those which are available to be transferred within LMEsword, together with such other information as shall be provided for in the LMEsword Operating Procedures.

7.2 Liability, rent and insurance

7.2.1 Liability for rent in respect of all Warrants and Immobilised Warrants shall be unaffected by LMEsword, and the obligations of London Agents in respect thereof, including the endorsement of Immobilised Warrants, shall continue to be governed by the Warehouse Agreement, as supplemented by this Regulation 7.

7.2.2 The Depository shall in no circumstances have any liability for the payment of rent, insurance or other charges in respect of Warrants or Immobilised Warrants, or otherwise in respect of the Underlying Metal. Responsibility for insuring the Underlying Metal lies with the relevant Account Holder.

7.3 **Payment**

7.3.1 On the receipt by a Warehouse or its London Agent of any rent payment in respect of a Warrant or Immobilised Warrant within LMEsword (whether by the due date or afterwards), the Warehouse shall procure that such London Agent shall issue a Warrant Endorse Instruction in accordance with the LMEsword Operating Procedures. On receipt, the LMEsword System shall mark the Warrant "rent paid". The fact that the Warrant is marked "rent paid" shall as against the Warehouse and for all Account Holders and the Depository, subject only to Regulation 12.9, be conclusive evidence of due payment of rent and a London Agent (and the Warehouse it represents) shall not be entitled to claim otherwise.

7.3.2 The Depository shall not, for the avoidance of doubt, endorse any Immobilised Warrant as "rent paid".

7.3.3 On withdrawal in accordance with Regulation 8.2, if rent has been paid on the Warrant or Immobilised Warrant (as applicable) whilst it has been recorded within the LMEsword System, the London Agent shall endorse the Extracted Warrant “rent paid", provided that the London Agent has previously issued a Warrant Endorse Instruction in respect of the corresponding Warrant within the LMEsword System.

7.3.4 Warrant holders must approach the Warehouse or its London Agent directly to settle the rent.

7.3.5 The London Agent and the Exchange will be informed of the withdrawing Account Holder's identity.

7.4 **Non-payment**

7.4.1 Where rent in respect of any Warrant or Immobilised Warrant is not paid by the end of Rent Payment Day, or the relevant London Agent has not issued a Warrant Endorse Instruction in respect of it, the LMEsword System shall mark the Warrant as "rent not paid".

7.4.2 Where rent is subsequently paid in respect of any Warrant or Immobilised Warrant which is marked "rent not paid", on the issue of a Warrant Endorse Instruction by the relevant London Agent, the "rent not paid" mark shall be deleted and be replaced by "rent paid".

7.5 **Customs Charges and Tax**

In no circumstances shall the Depository or the Exchange have any liability for or in respect of any Customs Charges or Tax arising in relation to any Warrant, Immobilised Warrant, Extracted Warrant or Underlying Metal. Any such liability, and the responsibility for determining whether any such liability exists, shall be the sole responsibility of the relevant Account Holder.

8 DELIVERY OF EXTRACTED WARRANTS

8.1 Entitlement

Each Warehouse shall procure that, on demand in accordance with this Regulation 8 from an Account Holder in respect of any Warrant credited to that Account Holder's Account (including any of its Customer Accounts) from time to time, the Warehouse's London Agent shall deliver to that Account Holder an Extracted Warrant.

8.2 Withdrawal of Warrants

8.2.1 Where an Account Holder wishes to take delivery of an Extracted Warrant outside the LMEsword System, it shall issue a Warrant Withdrawal Instruction in accordance with the LMEsword Operating Procedures for Warrant withdrawal.

8.2.2 On receipt of a Warrant Withdrawal Instruction, the LMEsword System shall notify the relevant London Agent by way of a Warrant Withdrawal Notification of the withdrawal request, the identity of the Account Holder and the Warrants subject to the Warrant Withdrawal Instruction. Each Warrant Withdrawal Notification shall be deemed to have been sent by the Depository, as agent of the Warehouse as appointed under these LMEsword Regulations.

8.2.3 Each Warehouse shall procure that on receipt of a Warrant Withdrawal Notification, its London Agent shall either approve or reject the Warrant Withdrawal Notification and if such notification is approved, otherwise than by means of the LMEsword System, issue the Account Holder with a security code.

8.2.4 The Account Holder shall make arrangements for the collection of the Extracted Warrant in question from the London Agent, in accordance with the LMEsword Operating Procedures.

8.2.5 On attendance at the London Agent, the Account Holder or its representative shall present the relevant security code and any necessary identification in accordance with the LMEsword Operating Procedures.

8.2.6 Each Warehouse shall procure that its London Agent shall, on presentation of the relevant security code and in accordance with the LMEsword Operating Procedures:

(i) verify the security code and identification details presented to it;

(ii) verify the details of the Warrant subject to the Warrant Withdrawal Instruction, including that they correspond to the Warehouse's books and records; and

(iii) if satisfied, issue a Warrant Withdrawal Acknowledgement and simultaneously issue and release to the Account Holder or its representative the Extracted Warrant.

8.2.7 Each Warehouse shall procure that, in the event that, immediately prior to the issuance of a Warrant Withdrawal Acknowledgement, or the delivery up of an Immobilised Warrant pursuant to Regulation 4.2.2(ii), the Warrant to which that acknowledgement relates is marked:

(i) "rent not paid" in accordance with Regulation 7;

(ii) "amended" in accordance with Regulation 10.2; or

(iii) "not valid" in accordance with Regulation 11.2;

its London Agent shall also stamp the corresponding Extracted Warrant, or the Depository shall also stamp that Immobilised Warrant (as applicable), accordingly on its release.

8.2.8 Subject to Regulations 8.2.9 and 12.3:

(i) upon receipt of a Warrant Withdrawal Acknowledgement, the LMEsword System shall thereupon debit the Warrant from the Account Holder's Account and mark it "out of depository"; and

(ii) as soon as reasonably practicable thereafter, if the Warrant Withdrawal Instruction relates to an Immobilised Warrant, the Depository shall mark that Immobilised Warrant "out of depository".

8.2.9 Neither the Exchange nor the Depository:

(i) shall be required to verify any of the details of any Warrant Withdrawal Instruction, Warrant, Extracted Warrant or the Underlying Metal;

(ii) shall verify, or be under any obligation to verify, the authenticity or validity of any Warrant Withdrawal Instruction, Warrant or Extracted Warrant;

(iii) is under any obligation to accept any Warrant Withdrawal Instruction in circumstances in which it is not satisfied, in its discretion, that the requirements of these LMEsword Regulations are met, and each of the Exchange and the Depository may at any time in its discretion refuse to cancel a Warrant, in which case the relevant Warrant Withdrawal Instruction shall be rejected by the LMEsword System; or

(iv) shall have any responsibility in relation to an Extracted Warrant or its delivery to an Account Holder or its representative.

9 WARRANT CANCELLATION AND METAL TAKE UP

9.1 Entitlement

9.1.1 The obligations of each LMEsword Participant on the cancellation of a Warrant shall be governed by the arrangements agreed between the Warehouse and the person for whom the Warehouse holds the Underlying Metal, insofar as they do not conflict with these LMEsword Regulations or the Rules. To the extent that no such arrangements have expressly been agreed, each Warehouse agrees that each Account Holder to whose Account a Warrant is recorded from time to time shall be treated by the Warehouse as having the benefit of a contract of storage of the Underlying Metal and shall be subject to the Warehouse's standard terms of business insofar as they do not conflict with these LMEsword Regulations or the Rules.

9.1.2 In addition, each LMEsword Participant agrees that for so long as any Warrant is recorded within the LMEsword System to the Account of an Account Holder, these LMEsword Regulations give rise, with regard to that Account Holder, to the relationships, and related rights and obligations, described in Regulations 3.3.1 and 3.3.2.

9.1.3 Neither the Exchange nor, subject to Regulation 4.2.2(i), the Depository, shall have any responsibility in relation to the cancellation of Warrants or the delivery of Underlying Metal.

9.2 **Warrant Cancellation**

9.2.1 Where an Account Holder wishes to take delivery of the Underlying Metal to which a Warrant relates outside the LMEsword System, it shall issue a Warrant Cancel Instruction in accordance with the LMEsword Operating Procedures for Warrant withdrawal.

9.2.2 On receipt of a Warrant Cancel Instruction, the LMEsword System shall notify the relevant London Agent by way of a Warrant Cancel Notification of the cancellation request, the identity of the Account Holder and the Warrants subject to the Warrant Cancel Instruction. Each Warrant Cancel Notification shall be deemed to have been sent by the Depository, as agent of the Warehouse as appointed under these LMEsword Regulations.

9.2.3 Each Warehouse shall procure that on receipt of a Warrant Cancel Notification, its London Agent shall either approve or reject the Warrant Cancel Notification.

9.2.4 The Account Holder shall make arrangements for the confirmation of the Warrant Cancel Instruction with the London Agent, in accordance with the LMEsword Operating Procedures.

9.2.5 Each Warehouse shall procure that its London Agent shall, on presentation of the relevant security code and in accordance with the LMEsword Operating Procedures:

(i) verify the details of the Warrant subject to the Warrant Cancel Instruction, including that they correspond to the Warehouse's books and records; and

(ii) if satisfied, issue a Warrant Cancel Acknowledgement and simultaneously print and mark "cancelled" a Metal Entitlement in the form of a warehouse warrant.

9.2.6 On the London Agent issuing a Warrant Cancel Acknowledgement, the Warehouse shall apply, and shall procure that its London Agent applies, the standard procedures for that Warehouse and London Agent in relation to the cancellation of warehouse warrants issued by that Warehouse and the related take-up of metal, resulting in the delivery of that Underlying Metal to the Account Holder or to its order.

9.2.7 Subject to Regulations 9.2.9 and 12.3:

(i) upon receipt of a Warrant Cancel Acknowledgement, the LMEsword System shall thereupon debit the Warrant from the Account Holder's Account and mark it "cancelled"; and

(ii) as soon as reasonably practicable thereafter, if the Warrant Cancel Instruction relates to an Immobilised Warrant, the Depository shall mark that Immobilised Warrant "cancelled".

9.2.8 Neither the Exchange nor the Depository:

(i) shall be required to verify any of the details of any Warrant Cancel Instruction, Warrant, Metal Entitlement or the Underlying Metal;

(ii) shall verify, or be under any obligation to verify, the authenticity or validity of any Warrant Cancel Instruction, Warrant or Metal Entitlement;

(iii) is under any obligation to accept any Warrant Cancel Instruction in circumstances in which it is not satisfied, in its discretion, that the requirements of these LMEsword Regulations are met, and each of the Exchange and the Depository may at any time in its discretion refuse to cancel a Warrant, in which case the relevant Warrant Cancel Instruction shall be rejected by the LMEsword System; or

(iv) shall have any responsibility in relation to any Warrant, Metal Entitlement or the delivery of the Underlying Metal to an Account Holder or its representative.

9.2.9 Each Warehouse agrees that no Underlying Metal that is or has been the subject of a Warrant may be delivered to any person unless that Warrant is marked "cancelled" within the LMEsword System.

9.3 **Remove Warrant**

9.3.1 On the Underlying Metal represented by a cancelled Warrant being delivered out by a Warehouse, the Warehouse shall notify its London Agent which shall issue a Remove Warrant Instruction in accordance with the LMEsword Operating Procedures. The Exchange shall prescribe by Notice or in the LMEsword Operating Procedures from time to time the procedure for dealing with the reporting of deliveries out of only part of the Underlying Metal.

9.3.2 Following receipt of a Remove Warrant Instruction in accordance with the LMEsword Operating Procedures, and provided the Warrant in question is marked "cancelled" within the LMEsword System, the Warrant shall be removed from the LMEsword System (save that a record of its existence shall be retained within it solely for audit purposes).

9.3.3 Each Warehouse shall procure that its London Agent shall issue a Remove Warrant Instruction in other circumstances, as prescribed from time to time by the LMEsword Operating Procedures.

10 **WARRANT AMENDMENT AND REPLACEMENT**

10.1 **General Duties**

10.1.1 The requirements and procedures relating to the amendment and replacement of a Warrant or any Immobilised Warrant shall be governed by the terms of the Warehouse Agreement and the Warrant or Immobilised Warrant (as applicable) itself, as supplemented by this Regulation 10. Endorsement of an Immobilised Warrant or Extracted Warrant (as the case may be) "rent paid" shall be subject to Regulation 7.

10.1.2 It shall be the responsibility of the Warehouse and its London Agent to ensure that each Warrant and Immobilised Warrant, including any replacement Warrant or Immobilised Warrant (as applicable), accurately refers to the specific and ascertained Underlying Metal. The Warehouse and London Agent shall be solely responsible for any loss caused by the inaccuracy of any Warrant or Immobilised Warrant.

10.1.3 If a Warehouse or its London Agent becomes aware of any discrepancy between a Warrant or Immobilised Warrant and the Underlying Metal, including by reason of a change in the

exact location of the Underlying Metal or other act on the part of the Warehouse, it shall comply with the requirements of Regulation 11.

10.2 **Notification of Amendments**

10.2.1 On any LMEsword Participant becoming aware of a need to make an amendment to a detail of a Warrant or Immobilised Warrant which is prescribed in the LMEsword Operating Procedures (an "amendable detail"), it shall notify the relevant London Agent which caused the Warrant or Immobilised Warrant, as applicable, to be created.

10.2.2 On a London Agent becoming aware or being notified of a need to make an amendment to an amendable detail of a Warrant or Immobilised Warrant, it shall issue a Warrant Amend Instruction in accordance with the LMEsword Operating Procedures.

10.2.3 On receipt of a Warrant Amend Instruction in respect of a Warrant or Immobilised Warrant, as applicable, the LMEsword System shall notify the relevant Account Holder of the amendment and amend the Warrant and, if applicable, the Depository shall surrender to itself the related Immobilised Warrant, mark it as cancelled in accordance with Regulation 9.2.7(ii) and create a new replacement Immobilised Warrant in accordance with Regulation 3.2.8(ii) reflecting the revisions set out in the Warrant Amend Instruction. Each such Warrant or Immobilised Warrant (as applicable) shall be marked as “amended”.

10.2.4 On the amendment of an amendable detail of a Warrant or Immobilised Warrant, the Exchange and the London Agent may take such steps as they deem appropriate to publicise the fact of such amendment.

10.3 **Replacement of Warrants**

10.3.1 Where, pursuant to Regulation 8, an Account Holder procures the delivery of an Extracted Warrant outside the LMEsword System in circumstances in which the corresponding Warrant within the LMEsword System is marked “amended”, the Account Holder must present that Extracted Warrant to the London Agent which issued it.

10.3.2 On presentation to a London Agent of an Extracted Warrant in accordance with this Regulation 10, the London Agent shall issue a replacement Extracted Warrant, reflecting the amendment as appropriate.

10.3.3 A London Agent may cause the creation of a replacement Immobilised Warrant in accordance with the terms of the Warehouse Agreement, by utilising the LMEsword Software in accordance with the LMEsword Operating Procedures.

11 **INCORRECT OR INVALID WARRANTS**

11.1 **Notification**

11.1.1 The obligations of LMEsword Participants in relation to a Warrant, Immobilised Warrant or the Underlying Metal, which does not comply with the requirements of the Exchange, shall be as set out in the Rules and the Warehouse Agreement, as supplemented by this Regulation 11.

11.1.2 On a LMEsword Participant becoming aware at any time of:

(i) any irregularity in respect of a Warrant, Immobilised Warrant or the Underlying Metal (not being the need to amend an amendable detail);

(ii) any transfer or purported transfer of any interest in any Warrant, Immobilised Warrant or Underlying Metal other than a transfer given effect to using the LMEsword System; or

(iii) the issuance or circulation of any additional warehouse warrant (other than, in the case of a Warrant marked "out of depository", an Extracted Warrant), Metal Entitlement or other document representing or acknowledging receipt, in respect of Underlying Metal relating to any Warrant not marked "cancelled",

it shall immediately notify the Exchange thereof, in which case the Exchange may make such enquiries and take such steps as it sees fit with respect thereto.

11.1.3 On a LMEsword Participant other than the Clearing House being made aware of the need for a Warrant or Immobilised Warrant to be cancelled and reissued, it shall take all necessary steps to bring this to the attention of the London Agent, which must cause the relevant Warrant or Immobilised Warrant to be cancelled and a new Warrant or Immobilised Warrant issued in accordance with the Warehouse Agreement.

11.2 **Invalid Warrant Instruction**

11.2.1 In the event that the Exchange concludes that there is a material irregularity in a Warrant, Immobilised Warrant or the Underlying Metal, or some other relevant regulatory event has occurred, it may issue an Invalid Warrant Instruction in accordance with the LMEsword Operating Procedures. On receipt, the LMEsword System shall mark the Warrant "not valid".

11.2.2 Transfer of a Warrant (or any related rights) which is marked "not valid", or of the related Immobilised Warrant, shall not constitute good delivery under a Contract.

11.2.3 The Exchange may, where it is satisfied that the irregularity or event has been remedied, reverse an Invalid Warrant Instruction in accordance with the LMEsword Operating Procedures. On receipt, the LMEsword System shall remove the "not valid" mark from the Warrant.

11.2.4 Where a Warehouse ceases to be listed in Appendix III of the Rules, Warrants previously issued by it shall continue to be treated as Warrants for the purposes of these LMEsword Regulations until the Exchange otherwise directs or issues an Invalid Warrant Instruction in accordance with this Regulation 11.2.

11.2.5 Each Account Holder agrees to withdraw or cancel any Warrant credited to its Account where the Exchange so directs.

12 **GENERAL**

12.1 **Charges and Fees**

12.1.1 The Exchange shall fix the subscription, transaction and other Fees payable by LMEsword Participants from time to time and publish them in an Administrative Procedure and will

publish the same on the LME website. Such Fees may vary for different classes of LMEsword Participant. Such Fees shall be debts due to the Exchange and shall be payable in accordance with the LMEsword Operating Procedures.

12.1.2 Each LMEsword Participant agrees to pay all Fees payable under the LMEsword Regulations promptly. Failure to pay such Fees when due shall constitute a breach of the LMEsword Regulations by the LMEsword Participant in question.

12.1.3 If an LMEsword Participant serves a Withdrawal Notice in accordance with Regulation 2.8 but that Notice is not received by the Secretary on or before the 30th day of November of the year in which the LMEsword Participant intends its participation to cease, it will be liable for payment of the relevant annual subscription for the following year.

12.2 **Reports and Enquiries**

LMEsword Participants may obtain reports from and make enquiries of the LMEsword System as described in the LMEsword Operating Procedures. Reports will be available at all times that the LMEsword System is operational and each Account Holder agrees that these will be transmitted electronically and can be printed by the Account Holder. Reports will detail the description and amounts of all Warrants credited to an Account or Accounts of the Account Holder. Each Account Holder agrees to treat such a report as a sufficient statement of its Warrants held by the Depository.

12.3 **Instructions and Notices**

12.3.1 All Instructions must be issued in accordance with the LMEsword Operating Procedures. In the event that for any reason it is impossible for a LMEsword Participant, the Depository or the Exchange to issue or receive an Instruction, or the LMEsword System is unable to receive an Instruction, the Exchange shall specify the steps the affected person(s) should take. Instructions shall be deemed issued when received by the LMEsword System, and shall be processed in the order determined by the LMEsword System. References in Regulations 12.3.3 to 12.3.6 to a notice or other communication shall not include an Instruction.

12.3.2 Any Instruction may be rejected by the LMEsword System at any time, including if:

(i) the same Underlying Metal or Warrant is at the relevant time the subject of a prior and outstanding Instruction;

(ii) any verification or authentication requirement prescribed in the LMEsword Operating Procedures is not satisfied; or

(iii) any other requirement of these LMEsword Regulations is not satisfied, as determined by the Exchange in its discretion.

12.3.3 All notices and other communications to be served under the LMEsword Regulations or LMEsword Operating Procedures shall be served as follows:

(i) if to the Exchange, to:

Post Trade Operations
The London Metal Exchange
10 Finsbury Square

London EC2A 1AJ
E-mail: posttradeoperations@lme.com

(ii) if to another LMEsword Participant or the Depository, to the postal address or email address notified to the Exchange by the LMEsword Participant or, as the case may be, the Depository from time to time.

12.3.4 All notices and other communications under the LMEsword Regulations shall be served in writing and delivered in person, by courier, post or email, with such service in respect of notices delivered by courier or post deemed effective on the date of receipt, and in respect of notices delivered in person or by email, at the date and time such notice is delivered, in each case, unless that date is not a Business Day in which case the notice shall be deemed given and effective on the first following day that is a Business Day. Notices or other communications shall not be capable of having the effect of an Instruction unless the Exchange provides otherwise in the LMEsword Operating Procedures or in a notice issued by the Exchange, for example in the event of an emergency.

12.3.5 All notices and other communications shall be in writing and in the English language.

12.3.6 Notices and other communications delivered in person, by courier or by post, shall only be validly served by a LMEsword Participant if they are signed by a designated signatory notified to the Exchange.

12.3.7 Neither the Exchange nor the Depository shall be liable for any actions taken or omitted to be taken in good faith on the basis of any Instruction served in accordance with the LMEsword Operating Procedures or notice or other communication however served which purports to have been given by or on behalf of a LMEsword Participant, nor shall any of them be taken to have notice of any matter disclosed in an Instruction (other than the existence of the Instruction). Neither the Exchange nor the Depository shall be under any duty to verify the genuineness of any Instruction or of the signature or the authority of the person which purports to sign a notice or other communication on behalf of a LMEsword Participant.

12.3.8 The Depository shall not be obliged to take account of or act on any direction of an Account Holder other than an Instruction or notice or communication permitted by the Exchange.

12.4 **Release**

Any liability to the Exchange under the LMEsword Regulations may in whole or in part be released, compounded or compromised or time or indulgence given by the Exchange in its discretion as regards any LMEsword Participant under such liability without in any way prejudicing or affecting its rights against any other or others of the LMEsword Participants under the same or a like liability, whether joint and several, or otherwise.

12.5 **Waiver**

Without prejudice to Regulation 2.6 of Part 1 of the Rules, no failure of the Exchange to exercise, and no delay by it in exercising, any right, power or remedy in connection with the LMEsword Regulations (each a "Right") will operate as a waiver thereof, nor will any single or partial exercise of any Right preclude any other or further exercise of such Right or the exercise of any other Right. The Rights provided in the LMEsword Regulations

are cumulative and not exclusive of any other Rights (whether provided by law or otherwise). Any express waiver of any breach of the LMEsword Regulations shall not be deemed to be a waiver of any subsequent breach.

12.6 **Invalidity**

If any provision in the LMEsword Regulations shall be held to be illegal, invalid or unenforceable, in whole or in part, under any enactment or rule of law, such provision or part shall to that extent be deemed not to form part of the LMEsword Regulations but the legality, validity and enforceability of the remainder of the LMEsword Regulations shall not be affected.

12.7 **Governing Law and Submission to the Jurisdiction**

12.7.1 The LMEsword Regulations shall be governed by and construed in accordance with English law.

12.7.2 Any dispute arising out of or in connection with the LMEsword Regulations shall be referred to arbitration in accordance with the Rules, except to the extent the Warehouse Agreement (in the case of Warehouses) or the relevant Service Level Agreement (in the case of the Depository) expressly provides that any such dispute shall not be subject to such arbitration.

12.8 **Exclusion of Liability**

12.8.1 The Exchange shall not have any liability for any damage, loss, expense or liability of any nature which a LMEsword Participant may suffer or incur due to or connected with it being or acting as a LMEsword Participant, including liability for negligence or liability arising out of the development and operation of the LMEsword System, except to the extent of direct losses or expenses, in each case attributable to its fraud or wilful default. The exclusions of liability set out in this Regulation 12.8.1 do not apply to death or personal injury arising from any failure by the Exchange to take reasonable care or to exercise reasonable skill.

12.8.2 The Depository shall have no liability for any damage, loss, expense or liability of any nature which a LMEsword Participant may suffer or incur due to or connected with it being or acting as a LMEsword Participant, except to the extent of direct losses or expenses, in each case attributable to the Depository's fraud or wilful default in the performance of its obligations expressly set out in these Regulations and provided that the Depository shall not be liable to the extent that any such damage, loss, expense or liability is caused by a person other than the Depository. The exclusions of liability set out in this Regulation 12.8.2 and Regulation 12.8.3 do not apply to death or personal injury arising from any failure by the Depository to take reasonable care or to exercise reasonable skill, or to any direct loss attributable to a failure of the Depository to perform the obligations expressly provided for in Regulation 4.2.2.

12.8.3 In circumstances in which the Exchange or Depository, respectively, is liable in accordance with Regulation 12.8.1 or 12.8.2 or otherwise (other than in respect of fraud or wilful default, or liability for death or personal injury arising from any failure by the Depository to take reasonable care or to exercise reasonable skill), the maximum liability and obligation of the Exchange or Depository shall be limited to the lower of (i) an amount not exceeding the aggregate holding Fees paid by the LMEsword Participant to whose

Account the relevant Warrant was last credited, in the most recent annual period; and (ii) USD 5,000.

12.8.4 In no event shall the Exchange or Depository be liable for special, indirect or consequential damages or loss of any kind whatsoever (including loss of bargain or profits) regardless of whether it has notice of the likelihood of such damages or loss and regardless of the form of action.

12.8.5 Each Account Holder agrees to indemnify the Depository and to keep it indemnified against any costs, claims, losses, liabilities, damages, fines, penalties, Taxes, Customs Charges and other amounts (including any associated costs, charges, penalties or interest, whether in connection with any failure to pay or any delay in paying, or otherwise) which may be imposed on, incurred by or asserted against the Depository in respect of any liability arising from the performance of its obligations under these LMEsword Regulations (including, any liability to pay any Tax, Customs Charge or any other duty, levy or charge, or in respect of insurance in relation to any Warrants, Immobilised Warrants or entitlement to Underlying Metal) which is determined by the Depository to be attributable to that Account Holder and which is not due to the Depository's fraud or wilful default.

12.8.6 The Depository may set off or apply any amount due from an Account Holder in satisfaction of any amount owed by the Depository to that Account Holder. If the obligations are in different currencies, the Depository may convert either obligation at a market rate of exchange in its usual course of business for the purpose of the set-off.

12.8.7 Each Account Holder (the "First Account Holder") agrees to indemnify each other Account Holder, the Exchange and the Depository and to keep it indemnified against any costs, claims, losses, liabilities, damages, fines, penalties, Taxes and other amounts which may be imposed on, incurred by or asserted against that other Account Holder, the Exchange or the Depository (as applicable) as a result of:

(i) the representation and warranty given by the First Account Holder in Regulation 3.2.3 being false or materially incorrect, or a breach of the undertaking given in that Regulation; or

(ii) any transfer or purported transfer by the First Account Holder of any Warrant, Immobilised Warrant or any Underlying Metal (or any right, title or interest to any such Warrant, Immobilised Warrant or Underlying Metal) outside the LMEsword System during such time as the related Warrant is recorded to an Account of the First Account Holder and not marked "out of depository" or "cancelled",

other than due to the fraud or wilful default of that other Account Holder, the Exchange or the Depository, respectively.

12.8.8 Each Warehouse agrees to indemnify each Account Holder, the Exchange and the Depository and to keep it indemnified against any costs, claims, losses, liabilities, damages, fines, penalties, Taxes and other amounts which may be imposed on, incurred by or asserted against that Account Holder, the Exchange or the Depository (as applicable) as a result of a breach by that Warehouse of Regulation 9.2.9, other than due to the fraud or wilful default of that Account Holder, the Exchange or the Depository, respectively.

12.8.9 Nothing in these LMEsword Regulations shall require the Depository to expend or risk its own funds or otherwise incur or risk incurring any liability in the performance of its duties or the exercise of any power, rights, authority or discretion in connection with its role as Depository under these LMEsword Regulations, if it has grounds for believing that the taking of any such action or the expenditure or risk of its liability or own funds may expose it to a risk of cost or loss, including the non-repayment of the funds, the recovery of which is not assured to it unless and until it has first been provided with an indemnity and/or security and/or pre-funding as it determines to be satisfactory to it against such risk or liability.

12.8.10 The Depository is not responsible for the production or the accuracy of reports generated by the LMEsword System and is not responsible for the operation or efficacy of the LMEsword System.

12.8.11 Any complaint arising in relation to the obligations owed by the Exchange in connection with the LMEsword System (including where the Exchange acts as Depository, in relation to its obligations as such) shall be dealt with in accordance with the LME's complaints procedure as amended from time to time.

12.8.12 This Regulation 12.8 is without prejudice to any other right which may be exercised, or exclusion or limitation of liability which may be relied upon, by the Depository or Exchange (as the case may be).

12.9 **Errors**

12.9.1 In the event that a Warrant is mistakenly credited to or debited from an Account Holder's Account, the affected Account Holder shall immediately on their becoming aware of that event notify the Exchange which shall notify the affected parties and, if there is no disagreement as to the facts, make the necessary change to the LMEsword System's records, if any.

12.9.2 In the event that any LMEsword Participant becomes aware that any detail of a Warrant or Immobilised Warrant is or appears to be incorrect, it shall notify the Exchange which shall notify the London Agent which initiated the creation of the Warrant, the Account Holder to whose Account the Warrant is credited and the Depository. If there is no disagreement as to the facts, the Exchange shall make the necessary change to the LMEsword System's records and, in the case of an Immobilised Warrant, the Depository shall make the necessary change to the Immobilised Warrant.

12.9.3 In the event that there is disagreement as to the facts, the matter shall be referred to arbitration in accordance with the Rules.

12.10 **Amendment of LMEsword Regulations**

The Exchange may amend the LMEsword Regulations or the LMEsword Operating Procedures in the same way as it may amend any other of its Rules. All LMEsword Participants shall be notified of any such amendment prior to its taking effect, except where an immediate amendment is in the opinion of the Exchange essential for the proper functioning of LMEsword.

12.11 **Force Majeure**

Nothing in these LMEsword Regulations shall require any person to do anything contrary to English law or regulation and no person shall be liable for a breach of these LMEsword Regulations where compliance is impossible due to a failure of the LMEsword System and they have not caused the LMEsword System failure in question.

12.12 **Representation by Account Holder**

On each occasion the Depository is required to release an Immobilised Warrant to an Account Holder in accordance with Regulation 4.2.2(ii), or on the relevant Warrant being marked “out of depository” or “cancelled” in the Account of an Account Holder in accordance with Regulation 8 or 9, the Account Holder is deemed to represent to the Exchange and the Depository that the Account Holder is in full compliance with the laws and regulations of each jurisdiction which are or may be applicable to one or more of the withdrawal of the Immobilised Warrant, or the delivery of an Extracted Warrant or the Underlying Metal, as applicable.

12.13 **Insolvency or Delisting of a Warehouse**

In the event of the insolvency or delisting of a warehouse, the Exchange may undertake such acts, or require such acts to be performed, as it considers in its discretion are necessary in order to ensure the orderly functioning of the market. This may include, suspending relevant Warrants in LMEsword, or requiring Warrant-holders to cancel relevant Warrants in LMEsword and create new Warrants at a later date (either at the same location or a different location and either at the same warehouse company or at a different warehouse company). The provision shall be without prejudice to any rights or obligations the Exchange may have under its agreement with warehouse companies or any relevant warehousing policy from time to time.

13 **INTERPRETATION**

13.1 **Definitions**

In these LMEsword Regulations, terms defined in the Rules and not defined below shall have the same meanings and the following words and expressions shall, unless the context otherwise requires, bear the following meanings:

"Account" means an account of an Account Holder with the Depository, recorded by the LMEsword System and established in accordance with the LMEsword Regulations and LMEsword Operating Procedures, to which Warrants may be credited and debited;

"Account Holder" means the Clearing House and any person admitted as an Account Holder by the Exchange, and which has not withdrawn or ceased to be an Account Holder, under Regulation 2;

"Amendment Date" means the date on which these Regulations took effect in their current form;

"Business Day" has the meaning given in the Rules;

"Clearing House" means the clearing house designated by the Exchange from time to time;

"Clearing Member" has the meaning given in the Rules;

"Clearing Participant" means a Clearing Member which is an Account Holder;

"Customer" means a person with whom an Account Holder has entered into a written agreement under which the Account Holder has authority to act for the Customer as bailee of Underlying Metal and, if applicable, Immobilised Warrants, where the related Warrants or the Immobilised Warrants are held by the Account Holder within the LMEsword System, subject to the terms of the LMEsword Regulations and with authority to effect transfers of such Warrants for and on behalf of the Customer;

"Customer Account" means an Account to which Warrants recorded in favour of an Account Holder as bailee for its Customer may be credited and debited, which may comprise a single Account for Warrants held for some or all of the Account Holders' Customers and/or specific Accounts for one or more specific Customers;

"Customer Collection Account" has the meaning given in Regulation 5.3;

"Customs Charges" means any levy, impost, fee, assessment or charge of a similar nature arising in respect of customs or excise duty (including any charges imposed on the import or export of Underlying Metal, or any cost, charge, penalty or interest payable in connection with any failure to pay or any delay in paying, or otherwise);

"Depository" means the person or persons appointed from time to time by the Exchange to act as the Depository for LMEsword and which has or have agreed to be bound by the LMEsword Regulations;

"the Exchange" means the London Metal Exchange;

"Extracted Warrant" means a Metal Entitlement in the form of a warehouse warrant, issued pursuant to Regulation 8.2;

"Giver" has the meaning given in Regulation 6.2.1;

"Giving Clearing Participant" has the meaning given in Regulation 6.4.2;

"House Account" means an Account which is not a Customer Account;

"House Collection Account" has the meaning given in Regulation 5.3;

"Immobilisation Jurisdiction" means each jurisdiction notified as such from time to time by the Exchange to each LMEsword Participant;

"Immobilised Warrant" means a physical warehouse warrant issued in accordance with Regulation 3 and in a form prescribed by the LMEsword Operating Procedures and the Warehouse Agreement from time to time;

"Instruction" shall be construed in accordance with Regulation 13.2;

"Instruction Deadline" means a time and date prior to the Cut-Over Time notified as such by the Exchange to each LMEsword Participant;

"Legacy LMEsword Regulations" means the LMEsword Regulations as in force immediately prior to the Amendment Date and available on the LME website at https://www.lme.com/About/Market-Regulation/Rules/Rulebook;

"LMEsword Operating Procedures" means the manual issued by the Exchange pursuant to the LMEsword Regulations setting out detailed procedures and information relating to the operation of LMEsword, as amended from time to time in accordance with its terms;

"LMEsword Participant" means an Account Holder or a Warehouse;

"LMEsword Regulations" means the Regulations governing the operation of LMEsword issued by the Exchange as amended from time to time in accordance with its terms and forming Part 10 of the Rules;

"LMEsword Software" means the software licensed to each Account Holder and London Agent for the purpose of facilitating the issue of Warrants and the provision of details thereof to the LMEsword System;

"LMEsword System" means the system for, inter alia, the electronic transfer of Warrants, governed and constituted by the LMEsword Regulations;

"London Agent" means a London agent appointed by a Warehouse in accordance with the terms of the Warehouse Agreement or a London office of a Warehouse nominated to act as the Warehouse's London Agent for the purposes of LMEsword;

"Member" means a member of the Exchange;

"Metal Entitlement" means evidence of an entitlement to Underlying Metal (including a warehouse warrant, warehouse receipt or other document representing or acknowledging receipt of Underlying Metal) issued by or on behalf of a Warehouse and which meets the requirements of Regulation 3.2.4;

"person" includes an individual, partnership, unincorporated association and body corporate;

"Premium Warrant" has the meaning given in the Rules;

"Remote Participant Agreement" means an agreement between Account Holders substantially in the form prescribed by the Exchange from time to time under which one Account Holder agrees to act for the other in the giving of Instructions to the LMEsword System in accordance with the LMEsword Regulations and LMEsword Operating Procedures;

"Rent Payment Day" means the day on which rent in respect of the storage of Underlying Metal under Warrant becomes due;

"Rules" means the rules and regulations issued by the Exchange (and incorporating the LMEsword Regulations) governing the London Metal Exchange administered by the Exchange as the same may be amended in accordance with the Articles of Association of the Exchange and a reference to a Rule shall be construed accordingly;

"Secretary" means any person appointed to perform the duties of Secretary of the Exchange;

"Service Level Agreement" means the agreement entered into by the Depository with the Exchange under which it agrees to act as such and comply with the obligations set out therein;

"Software Licence Agreement" means the software licence agreement between the Exchange and an Account Holder or London Agent, as applicable, relating to the LMEsword Software;

“South Korean Warrant” means a Warrant governed by the law of South Korea;

"Taker" has the meaning given in Regulation 6.2.1;

"Taking Clearing Participant" has the meaning given in Regulation 6.4.5;

"Tax" means any tax, value added tax, levy, impost, duty, assessment or other charge or withholding of a similar nature (including any cost, charge, penalty or interest payable in connection with any failure to pay or any delay in paying, or otherwise);

"Title Transfer Jurisdiction" means each jurisdiction notified as such from time to time by the Exchange to each LMEsword Participant;

"Transferee" means, with regard to the transfer of a Warrant within LMEsword, the Account Holder to whose Account that Warrant is, or is to be, credited;

"Transferor" means, with regard to the transfer of a Warrant within LMEsword, the Account Holder from whose Account that Warrant is, or is to be, debited;

"Underlying Metal" means, in relation to a Warrant, Immobilised Warrant, Metal Entitlement or an Extracted Warrant, the metal described therein as (i) relating to that Warrant, Immobilised Warrant, Metal Entitlement or Extracted Warrant (as applicable) and (ii) in the case of a Warrant or Immobilised Warrant only, held by the related Warehouse under these LMEsword Regulations;

"Undertaking" has the same meaning as set out in Section 1161 Companies Act 2006;

"U.S. Warrant" means a Warrant governed by U.S. law;

"Warehouse" means a warehouse company which is party to the Warehouse Agreement and listed in Appendix III of the Rules;

"Warehouse Agreement" means the agreement between the Exchange and a Warehouse setting out the Warehouse's obligations as a Warehouse and under which the Warehouse agrees to abide by the LMEsword Regulations and references to the Warehouse Agreement include the Warehouse Agreement as supplemented and amended by the LMEsword Regulations and supplemented by the LMEsword Operating Procedures;

"Warrant" means, as the case may be:

(i) if that Warrant relates to Underlying Metal located in an Immobilisation Jurisdiction, an electronic record within LMEsword of an Immobilised Warrant; or

(ii) otherwise, an electronic warehouse warrant issued by a Warehouse in accordance with the Warehouse Agreement and these LMEsword Rules;

"Withdrawal Notice" means a notice in writing to the effect that an Account Holder wishes to cease to be an LMEsword Participant.

13.2 **Interpretation**

Unless a contrary intention appears, words and expressions in these LMEsword Regulations are to be construed in accordance with this Regulation 13.2.

13.2.1 Where the LMEsword Regulations refer to a document or thing being "prescribed", that shall mean prescribed by the Exchange from time to time in the LMEsword Operating Procedures or in a Notice issued by it, and the Exchange may prescribe different dates for different purposes, category of LMEsword Participant and Underlying Metal.

13.2.2 Words importing the singular shall, where the context permits, include the plural and vice versa. Words importing gender shall include each gender.

13.2.3 Where the LMEsword Regulations refer to an act being undertaken by the Exchange, that act may be performed by the Exchange acting through any duly authorised committee or any duly authorised individual.

13.2.4 References to an "Instruction" shall mean any instruction referred to in the LMEsword Regulations or otherwise provided for in the LMEsword Software, such as a "Cleared Transfer Instruction", "Ex-cleared Release Instruction", "Ex-cleared Transfer Accept Instruction", "Ex-cleared Transfer Instruction", “Ex-cleared Transfer Reject Instruction”, "Inter-Account Transfer Instruction", "Invalid Warrant Instruction", "Release Instruction" "Remove Warrant Instruction", "Warrant Amend Instruction". "Warrant Cancel Instruction", "Warrant Endorse Instruction", "Warrant Lodgement Instruction" or "Warrant Withdrawal Instruction", each of which shall consist of an electronic communication of the relevant type served by a LMEsword Participant in accordance with the LMEsword Operating Procedures and the LMEsword Software, or as otherwise prescribed by the Exchange from time to time. Any purported service of an Instruction otherwise than in accordance with the LMEsword Operating Procedures and the LMEsword Software shall be of no effect unless the Exchange otherwise directs. The LMEsword Operating Procedures shall provide for the circumstances in which Instructions shall be deemed cancelled and all other details relevant to their issue.

13.2.5 References to an "interest" in an asset shall include a legal, equitable or possessory interest in that asset.

13.2.6 References to the Exchange or the Depository exercising a discretion or making a determination are to the exercise of that discretion or the making of a determination in the sole and absolute discretion of the Exchange or Depository (as applicable).

13.2.7 References to a Warrant being 'issued' shall mean the creation of the Warrant within the Account of the relevant Account Holder.

13.2.8 References to a Warrant being 'withdrawn' shall mean the marking of a Warrant as 'out of depository' within the LMEsword System, in accordance with Regulation 8.

13.2.9 References to a Warrant or Immobilised Warrant being 'marked' shall include any writing, typing, printing or other mode of representing or reproducing words in a visible form, including electronically.

13.2.10 Where reference is made to a London Agent which issued a Warrant, or caused that Warrant to be created, that shall be deemed also to refer to a London Agent which has succeeded to the responsibilities of the London Agent which issued the Warrant, or caused that Warrant to be created.

13.2.11 Where reference is made to "the" or "these" "LMEsword Regulations", that shall be deemed to include the LMEsword Operating Procedures where the context permit.

13.2.12 References to a "Category" of Member shall be construed in accordance with the definitions of the categories of Membership set out in the Rules.

13.2.13 In these LMEsword Regulations only, reference to a "Warrant" or "Warrants" shall include reference to a "Premium Warrant" or "Premium Warrants", as the context may allow.

13.2.14 The words "include", "including", "for example", "such as", "in addition" or any form of those words or similar expressions shall be construed as if they are followed by the words "without limitation".

13.2.15 References to the Rules, including any Regulation, shall be a reference to those Rules or that Regulation of the Rules as interpreted in accordance with Part 1 of the Rules.

Schedule 1: Title Transfer Jurisdictions

1 U.S. Warrants

1.1 The following shall apply in the case of U.S. Warrants, superseding any provisions of the LMEsword Regulations or the LMEsword Operating Procedures that are inconsistent with the following, but otherwise without prejudice to any right or obligation arising under the LMEsword Regulation.

1.2 The Depository shall act as a custodian of each U.S. Warrant.

1.3 Each U.S. Warrant shall at all times be marked "Authoritative Copy" or with a unique identification number, which shall indicate that the relevant Warrant is the authoritative copy.

1.4 Each Warehouse shall at all times ensure that each U.S. Warrant it causes to be created is a negotiable document of title.

1.5 None of the following details shall be amended in respect of any U.S. Warrant other than with the consent of the relevant Account Holder (and any Instruction of the Account Holder to amend any such detail shall be deemed to constitute its consent for these purposes):

1.5.1 the Account Holder;

1.5.2 the identifying characteristics of the Underlying Metal;

1.5.3 the issuing Warehouse; and

1.5.4 any elements necessary for U.S. Warrants to be treated in commercial practice as records evidencing ownership.

1.6 In relation to the transfer of any U.S. Warrant to an Account Holder, by and upon the debiting of a Warrant by the LMEsword System from the Account of a Transferor and its crediting to the Account of a Transferee, the Depository, as agent of the Transferor, will add to the authoritative copy of the U.S. Warrant a notation that the Warrant has been transferred to the Transferee, which notation will be taken to have notified the Transferee of the transfer.

1.7 If an Account Holder issues an instruction to the Depository to transfer any Warrant credited to its Account to a person other than another Account Holder, that instruction will be deemed to constitute a Warrant Withdrawal Instruction, and such transfer shall take effect pursuant to the provisions of Regulation 8, modified as follows:

1.7.1 The London Agent may not reject the notification, and Regulation 8.2.9(iii) does not apply.

1.7.2 The Extracted Warrant, and the security code for it, will be issued to the Account Holder as agent for the transferee named in the Warrant Withdrawal Instruction (referring to that transferee by name), and the Account Holder will thereafter act as the agent for that transferee.

1.7.3 The Extracted Warrant will state that it is issued in substitution for an electronic Warrant.

1.8 With respect to U.S. Warrants covering Underlying Metal located in a U.S. free-trade zone, the LMEsword Regulations shall be governed by and construed in accordance with the law of the U.S. State of New York, without reference to its principles of conflicts of laws.

Schedule 2: South Korean Warrants

1. South Korean Warrants

1.1 The following shall apply in the case of South Korean Warrants, superseding any provisions of the LMEsword Regulations or the LMEsword Operating Procedures that are inconsistent with the following, but otherwise without prejudice to any right or obligation arising under the LMEsword Regulations.

1.2 Each South Korean Warrant shall be issued as a Warehouse Certificate (*Chango Jeung Kwon*) under Article 156 of the Korean Commercial Act.

1.3 The transfer, pledging or exercise of any other rights and entitlements over the Underlying Metal represented by the South Korean Warrant shall be made and perfected by way of the delivery or presentation of the South Korean Warrant, as the case may be.

PART 11

MONTHLY AVERAGE FUTURE REGULATIONS

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PART 11: MONTHLY AVERAGE FUTURE REGULATIONS

1. RELATIONSHIP WITH TRADING REGULATIONS

1.1 The Trading Regulations and the Contract Regulations shall, unless otherwise provided in these Monthly Average Future Regulations or unless the context otherwise requires, apply to Monthly Average Futures.

1.2 The Clearing House Rules shall apply to Cleared Monthly Average Futures.

2. PERMITTED MONTHLY AVERAGE FUTURES

2.1 Monthly Average Futures shall be available in respect of such metals and in such lot sizes as set out in Table 1.1 below:

Table 1.1

Metal	Lot size (tonnes)	Months
Primary Aluminium	25	63
NASAAC Aluminium Alloy	20	27
Aluminium Alloy	20	27
Special High Grade Zinc	25	27
Tin	5	15
Nickel	6	27
Copper Grade A	25	63
Lead	25	15

2.2 The Monthly Average Settlement Price for a Monthly Average Future month must be calculated by reference to a calendar month.

2.3 For each metal, Monthly Average Futures shall be available in respect of each tradable month from and including the month in which the Contract is made out to the number of months for that metal as set out in Table 1.1 above.

2.4 A new tradable month will become available for trading, in respect of any Monthly Average Future authorised by the Exchange, at the opening of business on the first Business Day of the month in which trading of a Monthly Average Future for the relevant underlying metal is authorised to begin.

2.5 Trading may be conducted, in respect of any Monthly Average Future authorised by the Exchange, until the close of business on the Last Trading Day for such Monthly Average Future. Trading times for all Monthly Average Futures shall not be later than 12.30 hours London time on the Last Business Day.

2.6 Monthly Average Futures shall be traded in US Dollars only.

2.7 Monthly Average Futures may be traded on the telephone and LME Select but not on the Ring.

2.8 The minimum price movement for a Monthly Average Future shall be $0.01 US dollars per metric tonne.

2.9 All Monthly Average Futures shall be input into the Matching System and registered as such with the Clearing House, subject to and in accordance with the Trading Regulations and the Clearing House Rules.

3. CASH SETTLEMENT FEE

3.1 The Exchange may charge a Fee in relation to each Monthly Average Future. The amount of such Fee shall be determined and published by the Exchange from time to time.

4. PRICE INFORMATION

4.1 Regulation 4 of the Trading Regulations shall apply to Monthly Average Futures.

4.2 The Exchange shall publish the Notional Average Price and Monthly Average Settlement Price for the relevant metal for each tradable month.

PART 12

PREMIUM CONTRACT REGULATIONS

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PART 12: PREMIUM CONTRACT REGULATIONS

1. RELATIONSHIP WITH TRADING REGULATIONS

1.1 The Trading Regulations and the Contract Regulations shall, unless otherwise provided in these Premium Contract Regulations or unless the context otherwise requires, apply to Premium Contracts.

1.2 The Clearing House Rules shall apply to Cleared Premium Contracts.

2. ALUMINIUM PREMIUM CONTRACT SPECIFICATION

2.1 Premium Warrant Jurisdictions

The following table sets out the Premium Warrant Jurisdiction for each type of Aluminium Premium Contract:

Premium Contract	Premium Warrant Jurisdiction
LME Aluminium US Premium	The following regions of the United States of America, as defined by the US Census Bureau: • Mid-West • South
LME Aluminium West-Europe Premium	Western Europe, as defined by the UN Geoscheme M49 classification
LME Aluminium East-Asia Premium	Eastern Asia, as defined by the UN Geoscheme M49 classification
LME Aluminium South-East Asia Premium	South-Eastern Asia, as defined by the UN Geoscheme M49 classification

2.2 Metal and Premium Warrant

The underlying metal for each Aluminium Premium Contract shall be high grade primary aluminium satisfying the requirements of Part 6 of the Special Contract Rules for Metals that is:

(a) held by a Qualifying Premium Warrant Warehouse in the Premium Warrant Jurisdiction applicable to the type of Aluminium Premium Contract; and

(b) represented by a Premium Warrant issued by the Qualifying Premium Warrant Warehouse.

2.3 Lot Size

The Lot size for each Aluminium Premium Contract is 25 tonnes.

2.4 **Prompt Date**

The Prompt Date for each Aluminium Premium Contract shall be the third Wednesday of each maturity month, subject to the Trading Regulations.

2.5 **Maturity Months**

Monthly for fifteen months, unless the Contract is made after the Last Trading Time (see 2.9 below) for the calendar month on which the Contract is made, in which case, fourteen months.

2.6 **Trading Platform**

Aluminium Premium Contracts may be traded:

(a) in the Ring;

(b) in the inter-office market; or

(c) through LME Select

2.7 **Trading Hours**

Aluminium Premium Contracts may be traded on the following platforms at the following times:

Platform	Trading Hours
Ring	5 minutes during R2 (as specified further on the LME website) Any time during K1 5 minutes during K2 (as specified further on the LME website)
LME Select	Between 01:00 and 19:00 London time on a Business Day
Inter-office market	24 hours a day during a Business Day

2.8 **Last Trading Time**

The last trading time for Aluminium Premium Contracts shall be 12:30 London time on the Last Trading Day.

2.9 **Settlement Basis**

Aluminium Premium Contracts shall be physically settled in accordance with Regulation 3 below.

2.10 **Currency**

US Dollars.

2.11 **Price Information**

(a) Regulation 4 of the Trading Regulations shall apply to Premium Contracts.

(b) Official Prices for Premium Contracts shall be determined in accordance with Trading Regulation 5.

(c) Closing Prices for Premium Contracts shall be determined in accordance with Trading Regulation 6.

2.12 **Minimum Price Movement**

The minimum price movement for any Aluminium Premium Contract shall be as follows:

	Minimum price movement per tonne	
Venue	Outright	Carries
Ring	$0.50	$0.01
LME Select	$0.50	$0.01
Inter-office market	$0.01	$0.01

3. **SETTLEMENT OF ALUMINIUM PREMIUM CONTRACTS**

3.1 Aluminium Premium Contracts shall be settled on the basis set out in this Regulation 3.

3.2 Settlement of Aluminium Premium Contracts that are:

(a) Cleared Premium Contracts shall be made by offset or by delivery and settlement of differences on the Prompt Date in accordance with Regulations 3.4 and 3.5 and 3.7 to 3.9 below;

(b) Client Premium Contracts shall be made by offset or by delivery in accordance with Regulations 3.4 and 3.5 and 3.10 to 3.11 below.

3.3 The net Lots covered by the Aluminium Premium Contracts remaining following offset under Regulation 3.8 or 3.10 (as applicable) shall be settled on their Prompt Date by payment, subject in the case of Cleared Premium Contracts to the Clearing House Rules.

3.4 **Seller's Delivery Obligation**

The seller's obligation under Aluminium Premium Contracts shall be to deliver Premium Warrants corresponding to the net Lots covered by such Contracts to the buyer.

3.5 **Buyer's Delivery and Payment Obligations**

The buyer's obligation under Aluminium Premium Contracts shall be to deliver to the seller:

(a) Standard Warrants, for high grade primary aluminium satisfying the requirements of Part 6C of the Special Contract Rules for Metals, corresponding to the net Lots covered by such Contracts;

plus

(b) the Settlement Price for the Aluminium Premium Contract, subject to any adjustments made pursuant to these Regulations in order to take account of:

(i) any rent and weight adjustments; and

(ii) the "Free on Truck" charges levied by the Qualifying Premium Warrant Warehouse that issued the Premium Warrant delivered under (a) above.

The buyer and seller's respective obligations shall be subject to the application of offsetting and settlement of differences pursuant to Regulations 3.7 and 3.8 below.

3.6 **Cleared Premium Contracts – General**

(a) Settlement of all Cleared Premium Contracts whether by offset or by delivery and the settlement of differences shall be made on the relevant Prompt Date by reference to the Settlement Price determined for that Prompt Date for that Premium Contract.

(b) In the event that:

(i) a buyer under a Cleared Premium Contract with an obligation to deliver Standard Warrants on the Prompt Date is also a buyer under a Cleared Metal Contract with an entitlement to receive Standard Warrants falling within Regulation 3.5(a) above on that Prompt Date; or

(ii) a seller under a Cleared Premium Contract with an entitlement to receive Standard Warrants on the Prompt Date is also a seller under a Cleared Metal Contract with an obligation to deliver Standard Warrants falling within Regulation 3.5(a) above on that Prompt Date,

then the respective obligations and entitlements of the buyer or seller (as applicable) under the Cleared Premium Contract in respect of the delivery of Standard Warrants shall be netted against the respective entitlements and obligations of that party under the Cleared Metal Contract in respect of the delivery of such Standard Warrants, in order to produce a net entitlement to receive or deliver Standard Warrants under both Contracts.

3.7 **Cleared Premium Contracts - Settlement of Differences:**

Differences shall be established on the relevant Prompt Date, in respect of all Cleared Premium Contracts, between the Premium Contract Price and the Settlement Price determined for that Prompt Date. The Clearing House shall account to Clearing Members for differences thus established by placing the same to their credit or debit as the case may require in accordance with the Clearing House Rules.

3.8 **Cleared Premium Contracts – Settlement by Offset:**

Bought and sold Cleared Premium Contracts of a Clearing Member for the same Premium Warrant Jurisdiction and Prompt Date and in the same currency shall, to the extent that they match each other, be settled on their Prompt Date by offsetting.

3.9 **Cleared Premium Contracts - Settlement by Delivery**

(a) The net Lots covered by Cleared Premium Contracts following offset under Regulation 3.8 which match as to Premium Warrant Jurisdiction and tonnage but not necessarily as to currency, shall be offset for the purposes of establishing the net

number of Premium Warrants to be settled by delivery subject to the Clearing House Rules.

(b) Delivery of Premium Warrants under Regulation 3.5(a) above or Standard Warrants under Regulation 3.5(b) above shall be effected pursuant to LMEsword in accordance with the LMEsword Regulations and Operating Procedures and the Clearing House Rules.

(c) The Clearing House shall raise invoices or credit notes for the contract weight of the net Lots covered by such Cleared Premium Contracts at the Settlement Price and in the currency of the relevant Cleared Premium Contract and shall deliver the same to the relevant Clearing Members. Such invoices and credit notes will include the value of the Standard Warrant (if applicable) and shall be for the contract weight without allowance for storage rent accrued and differences between contract weight and Warrant weight.

(d) On the Business Day following the Prompt Date the Clearing House shall call on:

(i) the seller or buyer as requisite in order that allowances for accrued storage rent, and any difference between Premium Warrant weight and contract weight be accounted for in respect of Premium Warrants transferred to the buyer in accordance with the Clearing House Rules; and

(ii) the seller or buyer as requisite in order that allowances for accrued storage rent, and any difference between Standard Warrant weight and contract weight be accounted for in respect of Standard Warrants transferred to the seller in accordance with the Clearing House Rules; and

(iii) the buyer in order that the "Free on Truck" charges applicable to the Premium Warrants received by the buyer are debited from the buyer.

(e) Payments and receipts in respect of the invoices and credit notes raised by the Clearing House under Regulation 3.9(c) shall be effected through the payment system or, in the case of payments to sellers, in such other form as shall be specified by the Clearing House.

(f) If a Clearing Member fails duly to deliver a Premium Warrant or Standard Warrant due to be delivered to the Clearing House, the Clearing House may, without prejudice to its rights under the Clearing House Rules:

(i) without prejudice to the accrued rights for damages of the Clearing House and any other affected Clearing Member(s), direct the Premium Warrant or Standard Warrant be delivered to and by the Clearing Member on the Business Day next following the Prompt Date, that the Contract terms be adjusted accordingly and the parties' payment obligations and entitlements thereunder be adjusted to give such rate of compensation to the party entitled to receive the Premium Warrant or Standard Warrant as the Exchange may from time to time direct; or

(ii) where:

(A) the Exchange has taken steps or issued directions under Trading Regulation 17.1 or 17.2; or

(B) the Exchange or the Clearing House otherwise direct,

Invoice Back the metal due to be delivered in accordance with Trading Regulation 10.4.

This Regulation 3.9(f) shall apply subject to any directions of the Exchange made under Trading Regulation 17.1 or 17.2. The Exchange may prescribe such penalties for non-delivery of Standard Warrants or Premium Warrants as it may from time to time deem fit in the Operating Procedures or by Administrative Procedure.

3.10 **Client Premium Contracts - by Offset:**

(a) Offsetting bought and sold Client Premium Contracts with the same Premium Warrant Jurisdiction, Prompt Date and currency shall be settled on contract (round) weights, buyer and seller paying or receiving as the case may be any difference between the Premium Contract Prices of the Contracts so offset.

(b) In the event that:

(i) a buyer under a Client Premium Contract with an obligation to deliver Standard Warrants on the Prompt Date is also a buyer under a Client Metal Contract with an entitlement to receive Standard Warrants falling within Regulation 3.5(a) above on that Prompt Date; or

(ii) a seller under a Client Premium Contract with an entitlement to receive Standard Warrants on the Prompt Date is also a seller under a Client Metal Contract with an obligation to deliver Standard Warrants falling within Regulation 3.5(a) above on that Prompt Date; and

(iii) the Client counterparty to the Client Premium Contract and the Client counterparty to the Client Metal Contract are allocated to the same Client Account in the Clearing House;

then the respective obligations and entitlements of the buyer or seller (as applicable) under the Client Premium Contract in respect of the delivery of Standard Warrants shall be netted against the respective entitlements and obligations of that party under the Client Metal Contract in respect of the delivery of such Standard Warrants, in order to produce a net entitlement to receive or deliver Standard Warrants under both Contracts.

3.11 **Client Premium Contracts – Settlement by Delivery**

(a) Delivery due under a Client Premium Contract shall be effected on the Prompt Date by delivery of Premium Warrants in exchange for Standard Warrants plus a cash payment in accordance with Regulation 3.5 above. Premium Warrants and Standard Warrants shall be delivered by way of a transfer pursuant to LMEsword in accordance with the LMEsword Regulations and Operating Procedures governing ex-cleared transfers.

(b) In relation to Client Premium Contracts, Premium Warrants shall be invoiced and paid for at the Contract weight and at the Settlement Price pertaining to the Prompt Date, buyer and seller paying and receiving (as the case may be) any difference

between Settlement Price and the Premium Contract Price. Such invoice will include the value of the Standard Warrant (if applicable).

(c) In relation to Client Premium Contracts, weight differences (between Contract weight and actual Warrant weight) shall be settled at the Settlement Price. Warehouse rental accruals (where relevant) shall be allowed on the invoice.

(d) Delivery of Premium Warrants and Standard Warrants and settlement in respect of unmatched Client Premium Contracts shall be effected in accordance with the terms of the Client Premium Contract between the parties and these Regulations. Such terms must require:

(i) Premium Warrants to be delivered by the seller under the Premium Contract:

(A) no later than 09:00 hours on the Prompt Date, when a Trading-Only Member or non- Member is the seller and transferor; and

(B) no later than 11:00 hours (so far as enabled by the seller's best endeavours) when a Clearing Member is the seller and transferor of the Premium Warrants;

(ii) Standard Warrants to be delivered by the buyer under the Premium Contract:

(A) no later than 09:00 hours on the Prompt Date when a Trading-Only Member or non-Member is the buyer and transferor; and

(B) no later than 13.30 hours (so far as enabled by the buyer's best endeavours) when a Clearing Member is the buyer and transferor of the Standard Warrants.

(e) Delivery shall be effected pursuant to LMEsword in accordance with the LMEsword Regulations and Operating Procedures governing ex-cleared transfers.

(f) Weights of Premium Warrants and Standard Warrants in all cases shall be accepted as between buyer and seller.

3.12 **Cleared Contracts**

(a) In these Premium Contract Regulations, references to "Cleared Contracts", "Cleared Metal Contracts" and "Cleared Premium Contracts" shall be construed to include any Cleared Contract that arises pursuant to the Clearing House Rules upon:

(i) the Execution of any Agreed Trade, pursuant to these Rules and the Clearing House Rules; and

(ii) the Execution of any Agreed Trade having equivalent characteristics to such Agreed Trade, pursuant to these Rules and the Clearing House Rules. Trading Regulation 9.1 shall apply to these Premium Contract Regulations for the purposes of explaining the meaning of the term "equivalent characteristics".

(b) Any Cleared Contract that arises between a Clearing Member and the Clearing House pursuant to the Clearing House Rules, following the acceptance by the Clearing House of an Agreed Client Trade in respect of a Client Premium Contract, shall be settled in accordance with (i) Regulations 3.6 to 3.9 above and (ii) the provisions of the Clearing House Rules.

4. MATTERS TO BE AGREED ON EXECUTION OF A PREMIUM CONTRACT

Without prejudice to Trading Regulation 3, a Premium Contract shall be conditional on the agreement between the parties to the Premium Contract of the following matters:

(a) the Premium Warrant Jurisdiction; and

(b) the Premium Contract Price, being the contract price for the Premium Contract, and a Premium Contract may not come into effect unless such matters are so agreed.

PART 13

LMEPRECIOUS REGULATIONS

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LMEPRECIOUS FUTURE REGULATIONS

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LMEPRECIOUS OPTION REGULATIONS

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PART 13A: LMEprecious FUTURE REGULATIONS

1. RELATIONSHIP WITH OTHER REGULATIONS

1.1 The Trading Regulations and the Contract Regulations shall, unless otherwise provided in these LMEprecious Regulations or unless the context otherwise requires, apply to LMEprecious Futures.

1.2 Parts 1, 2, 3, 4, 8 and 9 shall all apply to LMEprecious Futures.

1.3 The Clearing House Rules shall apply to Cleared LMEprecious Futures.

2. LMEPRECIOUS FUTURE SPECIFICATIONS

2.1 Types of LMEprecious Future

The following types of Contract shall be LMEprecious Futures:

(a) "LMEprecious Gold Futures" (being LMEprecious Futures having the characteristics specified in the paragraphs below where the underlying metal is Gold); and

(b) "LMEprecious Silver Futures" (being LMEprecious Futures having the characteristics specified in the paragraphs below where the underlying metal is Silver).

2.2 Metal

The underlying metal for each LMEprecious Future shall be as follows:

Contract	Metal
LMEprecious Gold Future	Gold
LMEprecious Silver Future	Silver

2.3 Lot Size

The Lot size for each LMEprecious Future shall be as follows:

Contract	Lot size	Code
LMEprecious Gold Future	100 fine troy ounces	AU
LMEprecious Silver Future	5000 troy ounces	AG

2.4 Prompt Date

LMEprecious Futures may have the following Prompt Dates:

Type	Prompt Date Structure	Prompt Date

Daily ("**Daily Date**")	T+1 to T+25	The Prompt Dates which are valid Daily Dates are: - T+1, provided that T+1 exists; and - T+2 to T+25. For the avoidance of doubt, a Prompt Date which is a valid Daily Date may also be a valid Monthly Date.
Monthly ("**Monthly Date**")	M1 to either M24 or M25 (dependent on Booking Date and Booking Time as further specified in this table)	The Prompt Dates which are valid Monthly Dates are dependent on the Booking Date and Booking Time: 1. If the Booking Date is between (i) the start of the first calendar day of the Booking Month and (ii) the end of the calendar day being three Business Days prior to the third Wednesday of the Booking Month: • The Prompt Dates which are valid Monthly Dates are M1 to M25 2. If the Booking Date is after the calendar day being three Business Days prior to the third Wednesday of the Booking Month: • The Prompt Dates which are valid Monthly Dates are M1 to M24. For the avoidance of doubt, at midnight at the start of the Business Day two days prior to the third Wednesday of the Booking Month, the Prompt Dates represented by the notation M*n* will each be advanced incrementally by one calendar month. Accordingly, the Prompt Date which immediately prior to such Business Day was identified as M1 will remain available for trading as the T+2 and then the T+1 Daily Date, until the Last Trading Time for the T+1 Prompt Date on the Business Day prior to the third Wednesday of the Booking Month. In each case above, if the third Wednesday of the Booking Month would not be a valid Settlement Business Day, then references to the third Wednesday of the Booking Month should be read as references to the relevant replacement Prompt Date pursuant to Regulation 8.4 of the Trading Regulations.
Quarterly ("**Quarterly Date**")	12 Calendar Quarterly Dates following the Monthly Dates	The Prompt Dates which are valid Quarterly Dates are: • the first Calendar Quarterly Date which is not any of (i) M1-M24, where M25 is not a valid Monthly Date per the definition above, or (ii) M1-M25, where M25 is a valid Monthly Date per the definition above (the "**First Quarterly Date**"); and

		• the eleven subsequent Calendar Quarterly Dates following the First Quarterly Date.

For the purpose of this paragraph 2.4, the following terms have the following meanings.

(a) "**T+n**" (where n is a positive integer) identifies a Prompt Date in reference to the Business Day (for the avoidance of doubt, being a twenty four (24) hour period starting at 00:00 (midnight), London time) on which a Contract is entered into (the "**Booking Date**"). To identify the appropriate settlement date for a given "T+n" reference, first determine whether the first Business Day following the Booking Date is also a Settlement Business Day.

(A) If the first Business Day following the Booking Date is also a Settlement Business Day:

count forward "n" Settlement Business Day(s) from the Booking Date and it will fall upon that Settlement Business Day. For example:

(i) assuming 2 January, 3 January, 4 January, 5 January are all Settlement Business Days;

(ii) if 2 January is the Booking Date:

(A) 3 January is T+1;

(B) 4 January is T+2;

(C) 5 January is T+3, and so on.

(B) If the first Business Day following the Booking Date is not also a Settlement Business Day:

count forward "n" minus one (n-1) Settlement Business Day(s) from the Booking Date and it will fall upon that Settlement Business Day. In this scenario, T+1 will not exist. For example:

(i) assuming 3 January is a Business Day but not a Settlement Business Day, and 2 January, 4 January, 5 January are all Settlement Business Days;

(ii) if 2 January is the Booking Date:

(A) T+1 does not exist;

(B) 4 January is T+2;

(C) 5 January is T+3, and so on.

(b) "**Mn**" (where n is a positive integer) identifies a monthly Prompt Date in reference to the date on which a Contract is entered into (the "**Booking Date**"). Let the "**Booking Month**" be the calendar month in which the Booking Date falls. Then:

(i) if the T+2 Prompt Date in respect of the Booking Date falls before the third Wednesday in the Booking Month, then M1 is the third Wednesday of the Booking Month, M2 is the third Wednesday of the calendar month following the Booking Month, and so on (with each increment of n representing one further calendar month); or

(ii) if the T+2 Prompt Date in respect of the Booking Date falls on or after the third Wednesday in the Booking Month, then M1 is the third Wednesday of the calendar month following the Booking Month, M2 is the third Wednesday of the calendar month following the calendar month following the Booking Month, and so on (with increment of n representing one further calendar month).

In each case above, if the third Wednesday in the Booking Month would not be a Settlement Business Day, then references to the third Wednesday of the Booking Month should be read as references to the relevant replacement Prompt Date pursuant to Regulation 8.4 of the Trading Regulations.

(c) "**Booking Time**" means, in respect of a Contract Executed on a Booking Date, the time of Execution of the Contract.

(d) "**Calendar Quarter**" means a period of three consecutive months, commencing on 1 January, 1 April, 1 July or 1 October in any calendar year.

(e) "**Calendar Quarterly Date**" identifies a quarterly Prompt Date falling on the third Wednesday in the third calendar month of the relevant Calendar Quarter.

2.5 **Trading Platform**

LMEprecious Futures may be traded on LME Select and the inter-office market but not in the Ring.

2.6 **Trading Hours**

LMEprecious Futures may be traded on the following platforms at the following times:

Platform	Trading Hours
LME Select	Between 01:00 and 20:00 London time on a Business Day
Inter-office market	24 hours a day during a Business Day

2.7 **Last Trading Time**

The last trading time for LMEprecious Futures shall be 16:00 London time on the Last Trading Day.

The Last Trading Day for LMEprecious Futures shall be the Business Day which is one Business Day before the Prompt Date.

2.8 **Settlement Basis**

LMEprecious Futures shall be physically settled in accordance with Regulation 9 of the Trading Regulations.

2.9 **Currency**

US Dollars.

2.10 **Minimum Price Movement**

(a) The minimum price movement for any LMEprecious Gold Future shall be as follows:

	Minimum price movement per fine troy ounce	
Venue	Outright	Carries
LME Select	$0.1000	$0.001
Inter-office market	$0.0001	$0.001

(b) The minimum price movement for any LMEprecious Silver Future shall be as follows:

	Minimum price movement per troy ounce	
Venue	Outright	Carries
LME Select	$0.00500	$0.00001
Inter-office market	$0.00001	$0.00001

PART 13B: LMEPRECIOUS OPTION REGULATIONS

1. RELATIONSHIP WITH OTHER REGULATIONS

1.1 The Trading Regulations and the Contract Regulations shall, unless otherwise provided in these LMEprecious Option Regulations or unless the context otherwise requires, apply to LMEprecious Options.

1.2 Parts 1, 2, 3, 4, 8 and 9 shall all apply to LMEprecious Options.

1.3 The Clearing House Rules shall apply to Cleared LMEprecious Options.

1.4 References in this Part 13B to LMEprecious Options or any "Contracts" relating to such LMEprecious Options shall be construed to include any Cleared Contract that has arisen pursuant to the registration of the LMEprecious Option at the Clearing House (provided that Cleared Contracts that arise pursuant to the registration of LMEprecious Options that are Client Contracts shall be treated in the same way as Cleared Contracts that are pursuant to the registration of Cleared LMEprecious Options).

2. PERMITTED LMEPRECIOUS OPTIONS AND SPECIFICATIONS

2.1 Types of LMEprecious Option

The following types of Contract shall be LMEprecious Options:

(a) "LMEprecious Gold Options" (being LMEprecious Options having the characteristics specified in the paragraphs below where the underlying metal is Gold); and

(b) "LMEprecious Silver Options" (being LMEprecious Options having the characteristics specified in the paragraphs below where the underlying metal is Silver).

2.2 Underlying Contract and Lot Size

The underlying for each LMEprecious Option shall be as follows:

Contract	Underlying Contract	Lot size	Code
LMEprecious Gold Option	LMEprecious Gold Future (Monthly)	100 fine troy ounces	AU
LMEprecious Silver Option	LMEprecious Silver Future (Monthly)	5000 troy ounces	AG

2.3 Currency

US Dollars.

2.4 Expiry Day and Time

The Expiry Day for an LMEprecious Option shall be the Business Day which is two Business Days before the Prompt Date for the LMEprecious Option.

The Expiry Time for an LMEprecious Option shall be the time on the Expiry Day that the Exchange Reference Price is determined by the Exchange (which shall be 15:02 or such later time as the Exchange may require).

2.5 **Prompt Date**

Where any reference is made to the Prompt Date of an LMEprecious Option, such reference shall mean the Prompt Date of the underlying LMEprecious Future for such LMEprecious Option.

LMEprecious Options may have as their Prompt Dates each third Wednesday in each calendar month from and including the first calendar month to and including the twenty fourth calendar month.

On the Expiry Day, the current month's third Wednesday date will no longer be tradable as an LMEprecious Option Prompt Date. On that Business Day only there will be twenty three tradable third Wednesday Prompt Dates.

On the Business Day following Expiry Day, the new twenty fourth calendar month will be tradable as a LMEprecious Option Prompt Date.

If any Prompt Date would fall on a day which is not a Settlement Business Day, then the Prompt Date shall be determined in accordance with Regulation 8.4 of the Trading Regulations.

2.6 **Strike Price Gradations**

The months traded, Strike Price gradations and numbers and sequences above and below the Strike Price closest to the current market price shall be determined by the Exchange from time to time after consultation with the Clearing House and shall be published by the Exchange.

2.7 **Trading Platform**

LMEprecious Options may be traded on LME Select and the inter-office market but not in the Ring.

All LMEprecious Options shall be input into the Matching System and registered as such with the Clearing House, subject to and in accordance with the Trading Regulations and the Clearing House Rules.

2.8 **Trading Hours**

LMEprecious Options may be traded on the following platforms at the following times:

Platform	Trading Hours
LME Select	Between 01:00 and 20:00 London time on a Business Day
Inter-office market	24 hours a day during a Business Day

2.9 **Last Trading Time**

The last trading time for LMEprecious Options shall be 20:00 London time on the Last Trading Day.

The Last Trading Day for LMEprecious Options shall be the Business Day which is one Business Day before the Expiry Day. (For example, if the Expiry Day is on a Monday, the Last Trading Day shall be on the preceding Friday.)

2.10 **Minimum Price Movement**

(a) the minimum fluctuation in the Strike Price for LMEprecious Options shall be as follows:

Contract	Minimum Strike Price movement
LMEprecious Gold Option	$5 per fine troy ounce
LMEprecious Silver Option	$0.25 per troy ounce

(b) the minimum fluctuation in premiums for LMEprecious Options shall be as follows:

Contract	Minimum premium movement
LMEprecious Gold Option	$0.01 per fine troy ounce
LMEprecious Silver Option	$0.001 per troy ounce

2.11 **Settlement Basis: Automatic Exercise into Underlying Future**

2.12 LMEprecious Options are European-style options.

2.13 An LMEprecious Option shall be automatically exercised on its Granter at the Expiry Time on the Expiry Day for the relevant LMEprecious Option if at that time it is:

(a) either a Call Option or a Put Option and is In the Money; or

(b) a Call Option and is At the Money,

and in each case forms part of a Member's open registered position with the Clearing House.

2.14 Notification of automatic exercise of a Client LMEprecious Option shall be made in such manner as has been agreed between Granter and Taker.

2.15 Any LMEprecious Option not exercised as prescribed shall be deemed after its Expiry Time on its Expiry Day to have been abandoned.

3. EXERCISE REFERENCE PRICE

3.1 The Exercise Reference Price for LMEprecious Options shall be the Settlement Price determined by the Exchange between 15:00 and 15:02 on the Expiry Day (or such later time on the Expiry Day that the Exchange may specify by Notice), where such Settlement Price is calculated using a VWAP from transactions on LME Select between such periods as shall be specified by way of Notice. Such Exchange Reference Price shall be published by the Exchange following its determination.

The Exchange may specify a minimum volume threshold with respect to each LMEprecious Option that is subject to this Settlement Price process, which shall be advised to the market from time to time by way of Notice.

3.2 In the event that the minimum volume threshold requirement is not reached, then the Exercise Reference Price shall be determined as follows:

(a) it shall be the last traded price within the bid/offer on the close of the pricing period, unless any of the following apply;

(b) if the last traded price is outside of the bid/offer on the close of the pricing period, then the closest price to the last trade that falls within the bid/offer will be used;

(c) if no trades have occurred during the pricing period, then the mid-point of the bid/offer on the close of the pricing period will be used;

(d) if no trades have occurred during the pricing period and no bid/offer exists on the close of the pricing period, then the last traded price may be used but there is no obligation on the Exchange to determine that Exercise Reference Price at that level;

(e) if no trades have occurred during that day and no bid/offer exists, then the Exercise Reference Price will be determined with reference to market activity in related Prompt Dates (in respect of the underlying LMEprecious Future) and/or market activity during the pricing period on the previous Business Day; and

(f) where no such pricing information exists, then the Exercise Reference Price will be determined by the Exchange in its absolute discretion.

4. EFFECT OF AUTOMATIC EXERCISE

4.1 On the automatic exercise of an LMEprecious Option on the Expiry Day an LMEprecious Future Contract, in the form representing the underlying for the LMEprecious Option, shall arise between Granter and Taker of the declared LMEprecious Option, the price of such LMEprecious Future Contract being the Strike Price in the LMEprecious Options Contract.

4.2 Upon such automatic exercise:

(a) a Cleared LMEprecious Option Contract shall be closed automatically and simultaneously replaced with a Cleared LMEprecious Future in accordance with these Rules and the Clearing House Rules;

(b) a Client LMEprecious Option Contract shall be closed automatically and simultaneously replaced with a Client LMEprecious Option, in accordance with these Rules;

(c) in respect of such Contracts as are described in (a) and (b) above:

(i) where a Call Option is exercised:

(1) the Granter under the Option Contract shall be the Seller under the Future Contract; and

(2) the Taker under the Option Contract shall be the Buyer under the Future Contract; and

(ii) where a Put Option is exercised:

(1) the Granter under the Option Contract shall be the Seller under the Future Contract; and

(2) the Taker under the Option Contract shall be the Buyer under the Future Contract; and

(d) the corresponding positions in respect of the LMEprecious Future Contract(s) shall be recorded by the Clearing House in the relevant account(s) of the Clearing Member at the Clearing House (which may, for the avoidance of doubt, include a "house" or "proprietary" account and a "client" account that is either segregated on an "omnibus" basis or an "individual client" basis).

4.3 Prompt Dates for LMEprecious Futures Contracts resulting from the automatic exercise of LMEprecious Options shall be the third Wednesday in the relevant month or, if that day is not a Business Day, the next succeeding day which is a Business Day.

4.4 LMEprecious Futures Contracts which arise on the automatic exercise of an LMEprecious Option shall be settled in accordance with the Trading Regulations and the LMEprecious Future Regulations.

5. PREMIUMS

5.1 The amount of the premium payable on opening every LMEprecious Option shall be the premium input into the Matching System, as determined via LME Select or by the Granter and the Taker in the inter-office market.

(a) Payment of the premium by the Taker of a Cleared LMEprecious Option to the Granter shall be effected through the payment system, in accordance with Clearing House Rules, prior to 12.00 hours on the next Business Day following the day on which the LMEprecious Option is traded.

(b) Payment of the premium by the Taker of a Client LMEprecious Option to the Granter shall be effected prior to 12.00 hours on the next Business Day following the day on which the LMEprecious Option is traded.

5.2 The Taker of a Cleared LMEprecious Option may apply the value of such LMEprecious Option as determined by the Clearing House against Variation Margin due to the Clearing House in respect of open Cleared Contracts of the said Taker, subject to, and in accordance with the Clearing House Rules.

5.3 The Taker of a Cleared LMEprecious Option or Client LMEprecious Option shall not be permitted to receive cash payment in respect of any positive value of such Option nor apply any credit arising therefrom to the purchase of another LMEprecious Option.

5.4 For the avoidance of doubt, this paragraph 4 has no relevance to any premium (including any Premium Contract Price) under a Premium Contract.

APPENDICES

I Listed Brands

This appendix is no longer reproduced in the LME Rulebook but is available on the LME website at http://www.lme.com/trading/warehousing-and-brands/brands/approved-brands/ or in hard copy from the Exchange.

II Listed Samplers and Assayers

This appendix is no longer reproduced in the LME Rulebook but is available on the LME website at http://www.lme.com/trading/warehousing-and-brands/brands/samplers-and-assayers/ or in hard copy from the Exchange.

III Listed Warehouses

This appendix is no longer reproduced in the LME Rulebook but is available on the LME website at http://www.lme.com/trading/warehousing-and-brands/warehousing/approved-warehouses/ or in hard copy from the Exchange.

IV Miscellany

Market Calls – LME trading times are no longer reproduced in the LME Rulebook but are available on the LME website at http://www.lme.com/trading/times-and-dates/

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APPENDIX IV

MISCELLANY

In this section may be stored sheets of additional information from time to time distributed. Provided with this book is an example – the current timetable of LME market calls. Users of the book may, as they choose, install further items, recording their titles on the contents table on the following page.

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Appendix 3

LME Clear Rules (Clean)

21 September 2026

LME Clear

An HKEX Company

LME Clear Limited

Rules and Procedures

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LME CLEAR LIMITED

RULES

RULE 1 – DEFINITIONS AND INTERPRETATION

1.1 DEFINITIONS

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

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

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

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

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

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

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

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

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

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

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

"Applicable Law" means:

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

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

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

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

"Applicant" means any person that applies to LME Clear to become a Member;

"Approved Delivery Facility"	means the delivery facilities specified in the Clearing Procedures as being approved by LME Clear to deliver the Underlying Assets under a Contract;
"Approved Execution Arrangement"	has the meaning set out in Clearing Procedure B 3.2;
"Approved Settlement Bank"	means a Settlement Bank approved by LME Clear as being eligible to participate in the Secure Payment System; the settlement banks approved by LME Clear from time to time shall be those listed on the Website;
"Approved Transaction Platform"	means: (a) an Organised Market; or (b) a venue or facility for the execution, matching, reporting or confirmation of transactions, that is approved by LME Clear to submit Transactions to the Clearing System and that is specified as such in the Clearing Procedures;
"Asset Cover"	means the Collateral provided by a Member . a Posting Affiliate or Posting Client (as applicable) to LME Clear and, in the case of a Member only, Default Fund Contributions;
"Auction Portfolio"	means a Portfolio that is the subject of an auction in accordance with Default Procedure C6.3;
"Authorised Representative"	means the management representative appointed by the Member in accordance with Membership Procedure B8;
"**Automatic Compression**"	means the application of a Compression Run in accordance with the process set out in Rule 12.2.2;
"Automatic Porting Designation Documents"	has the meaning set out in Section 1 of Default Procedure D (*Porting Procedure*);
"Automatic Porting Process"	means the process for the transfer of Contracts, Positions and Collateral allocated to a Client Account in respect of which LME Clear is in receipt of accurate, complete and up to date Automatic Porting Designation Documents, as specified in Rule 10.7 (*Portability of Client Accounts*) and Default Procedure D (*Default Procedures*), and specifically Default Procedure D2.2 (*Automatic Porting Process*);
"Available Cash"	has the meaning set out in Clearing Procedure D 5.5;
"Available Cash Collateral"	has the meaning set out in Clearing Procedure D 5.18:

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

"Final Delivery Position"	has the meaning set out in Clearing Procedure B7.3;
"Force Majeure Event"	means any circumstance beyond the control and contemplation of LME Clear, a Member, a Posting Affiliate or a Posting Client, which hinders or prevents the performance in whole or in part of any of its obligations under the Rules (other than, in the case of a Member, any obligation to make a payment to LME Clear) and will be deemed to include war, civil war or other action of military forces or armed conflict; terrorism or terrorist attack; riot, civil commotion, or protest; the inaccessibility of LME Clear's premises by LME Clear; sabotage or vandalism or malicious damage; nuclear, chemical or biological contamination; sonic boom; act of God; national emergency; fire, explosion, flood, storm, earthquake or epidemic; lack of energy supply; strike, labour dispute, lockout, work to rule or other industrial dispute; interruption or failure of utility service, including but not limited to electric power, gas or water; the closure, suspension or disruption of the operations of, or any default by, any Approved Transaction Platform or by any Settlement Agent, Settlement Bank, Precious Metal Clearer, Securities System Operator, Custodian, Warehouse or the LMEsword Depository; or any failure or insolvency of any Service Provider on which LME Clear relies in order to operate the Clearing System or otherwise perform its obligations under the Rules;
"Former Member"	has the meaning set out in Rule 3.13.8;
"Forward Dated Currency"	means a currency (such as Yen) where the settlement instruction issued on a given Business Day is for the execution of a payment, for value on a following Business Day;
"FSMA"	means the Financial Services and Markets Act 2000, as amended from time to time;
"General Clearing Member" (or "GCM")	has the meaning set out in Rule 3.1.3;
"Give-Up"	means a Transaction agreed by a Member, where such Member agrees to give-up the Transaction to another Member, in accordance with the LME Rules;
"Give-Up Acceptance"	means an instruction input into LMEsmart by an Accepting Member indicating its acceptance of a Transaction that is subject to a Give-Up;
"Give-Up Contract"	has the meaning set out in Clearing Procedure B3.3;
"Give-Up Executor"	means, in the context of a Give-Up, the Member that Gives-Up the Transaction;

"Give-Up Executor Instruction"	means an instruction input into LMEsmart by a Give-Up Executor indicating that a Transaction is to be subject to a Give-Up;
"Gold"	means gold held in London complying with the rules of the London Bullion Market Association relating to good delivery and fineness in effect from time to time;
"Gold Collateral"	means Collateral in the form of Eligible Gold;
"Gold Custodian"	means such custodian for Gold as LME Clear may appoint from time to time;
"Gross Position Product"	means an Eligible Product, the Positions on which shall be calculated on a gross basis, as identified in the table in Clearing Procedure B4.6;
"Gross Omnibus Segregated Client Account"	means: (a) a Direct Gross Omnibus Segregated Client Account; or (b) an Indirect Gross Omnibus Segregated Client Account;
"Group"	means in relation to a company, any company that is a Subsidiary of that company, any company that is its Holding Company, and any other company that is a Subsidiary of that Holding Company (including any Subsidiary of any such Subsidiary);
"Haircut"	means, in relation to any Collateral for the purpose of calculating its Collateral Value, the discount applicable to that Collateral as specified in the Collateral Specifications;
"Holding Company"	means, in relation to a company or corporation, any other company or corporation in respect of which it is a Subsidiary;
"House Account"	means an Account in the books and records of LME Clear established in accordance with Rule 4.2.1;
"Identified Client"	has the meaning set out in Rule 5.1.5;
“Immobilised Warrant”	has the meaning set out in the LMEsword Regulations;
"Independent Complaints Commissioner"	has the meaning set out in Membership Procedure A;
"Indirect Clearing Arrangement"	means an "indirect clearing arrangement" within the meaning of the Indirect Clearing Regulations;
"Indirect Clearing Regulations"	means the EMIR Level 2 (Indirect Clearing) Regulation or the MiFID II Level 2 (Indirect Clearing) Regulation, as applicable, and any successor legislation amending or incorporating the

	requirements thereto in any relevant jurisdiction from time to time;
"Indirect Client"	means the client of a Clearing Client[1];
"Indirect Gross Omnibus Segregated Client Account"	an Individual Segregated Client Account that records Contracts and their associated Collateral and Positions Registered by a Member in respect of one or more Indirect Clients, where such Indirect Clients are the clients of a single Clearing Client of the Member and having the features described in Rule 4.2.6;
"Indirect Individual Segregated Client Account"	means an Individual Segregated Client Account that records Contracts and their associated Collateral and Positions Registered by a Member in respect of a single Indirect Client, where such Indirect Client is the client of a single Clearing Client of the Member;
"Indirect Net Omnibus Segregated Client Account"	means an Omnibus Segregated Client Account having the features described in Rule 4.2.3(c);
"Individual Clearing Member" (or "ICM")	has the meaning set out in Rule 3.1.3;
"Individual Segregated Client Account"	means a Client Account established in accordance with Rule 4.2.2(b);
"Initial Margin Requirement"	has the meaning set out in Clearing Procedure C3.1;
"Instructed Value Date"	has the meaning set out in Clearing Procedure D 5.14(b)(iii);
"Instrument"	has the meaning set out in Clearing Procedure A5;
"Inter-Account Transfer"	has the meaning set out in Rule 6.13.1(b);
"Inter-Member Transfer"	has the meaning set out in Rule 6.13.1(a);
"Initial LMEprecious Members"	has the meaning set out in Default Procedure B 1.3;
"Initial LMEprecious Period"	has the meaning set out in Default Procedure B 1.3;

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

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

"LME Clear Compliance Department"	has the meaning set out in Membership Procedure A 2.1;
"LME Clear Data"	means: (a) LME Clear System Data; and (b) LME Clear Member Data;
"LME Clear Default"	has the meaning set out in Rule 10.13 (*LME Clear Default*);
"LME Clear Insolvency Default"	has the meaning set out in Rule 10.13 (*LME Clear Default*);
"LME Clear Member Data"	means all data relating to Accounts, Transactions, Contracts, Positions, Collateral, Margin Requirements, or Fees relating to a Member which are provided to, or generated by, LME Clear under the Rules;
"LME Clear Membership Application Form"	has the meaning set out in Membership Procedure A;
"LME Clear Party"	has the meaning set out in Rule 2.3.1;
"LME Clear Payment Default"	has the meaning set out in Rule 10.13 (*LME Clear Default*);
"LME Clear Pledged Account"	means the Account (as such term is defined in Part 10 of the LME Rules) in the name of LME Clear with LMEsword into which LME Warrant Collateral is required to be delivered by a Member, a Posting Affiliate or a Posting Client in order to satisfy a Member's Margin Requirement;
"LME Clear System Data"	means all data relating to the operation or design of the Clearing System which is provided to, or generated by, LME Clear;
"LME Clear Triparty Collateral Custody Account"	means an account in the name of LME Clear that is held at a Triparty Collateral Custodian and that is used, or is to be used, to hold Collateral and to effect the transfer of Collateral to a Member's Triparty Collateral Custody Account;
"LME Contract"	means a Transaction that is made on the LME between two Members (and that is defined as a "Contract" under the LME Rules);
"LME Exchange Traded Products"	means LME Base Products and LMEprecious Products;
"LME Index Settlement Price" (or "ISP")	means the "Settlement Price for the Index," defined in the LME Rules;

"LME Inter-Office Market"	means the inter-office market for the agreement of Transactions between members of the LME and/or their clients via the telephone and other means of communication and/or through the services of a RIB;
"LMEmercury GUI"	means the real time clearing graphical use interface provided by LME Clear that shall enable each Member to access information relating to the Clearing System processes applied in respect of that Member and to input instructions (where relevant) to the Clearing System;
"LMEmercury Materials"	means the software known as "LMEmercury" or any future name for such software, and any documentation relating to this software, which is made available to the Member from time to time by LME Clear to enable the Member to use the Clearing System, and including the Operations GUI User Guide;
"LME Monthly Average Settlement Price" (or "MASP")	means the "Monthly Average Settlement Price" defined in the LME Rules;
"LME Notional Average Price" (or "NAP")	means the "Notional Average Price" defined in the LME Rules;
"LMEprecious Clearing Member"	means a Member that is permitted to clear Transactions in LMEprecious Products;
"LMEprecious Commencement Date"	has the meaning set out in Default Procedure B 1.3(d);
"LMEprecious Future"	means an LMEprecious Product that is a future, as specified in Annex 1 (*Eligible Products*);
"LMEprecious Initial DF Floor"	has the meaning set out in Default Procedure B 1.3;
"LMEprecious Option"	means an LMEprecious Product that is an option, as specified in Annex 1 (*Eligible Products*);
"LMEprecious Products"	means those Eligible Products specified as such in Annex 1 (*Eligible Products*);
"LMEprecious Service"	means the availability of the Clearing System in respect of LMEprecious Products;
"LME Premium Warrant"	has the meaning set out in Clearing Procedure F2.1;
"LME Premium Warrant Payment Obligation"	means the obligation of a Buyer under an LME Aluminium Premium Contract to deliver LME Warrants, in part satisfaction of the Payment Obligation in respect of such Contract;
"LME Rules"	means the rules and regulations of the LME, as updated by the LME from time to time;

"LMEsmart"	means the matching platform operated by the LME for matching Transactions in Eligible Products;
"LMEsword"	has the meaning set out in Clearing Procedure F2.1;
"LMEsword Depository"	means the Depository (as such term is defined in Part 10 of the LME Rules);
"LMEsword Operating Procedures"	has the meaning set out in Clearing Procedure F2.1;
"LMEsword Regulations"	has the meaning set out in Clearing Procedure F2.1;
"LME Warrants"	has the meaning set out in Clearing Procedure F2.1;
"LME Warrant Collateral"	means Collateral in the form of Eligible LME Warrants, together with all other rights deriving from, or relating to, such LME Warrants and including all proprietary and contractual interests and rights in, and relation to, the corresponding Underlying Metals and any corresponding Immobilised Warrants;
"Loss"	means all or any losses, liabilities, claims, costs or expenses of any nature, whether direct, indirect, special, consequential or otherwise, including (without limitation) all professional fees and disbursements and applicable taxes, including VAT thereon;
"LPMCL"	means London Precious Metals Clearing Limited (registered in England and Wales under company number 04195299);
"Major Currency"	has the meaning set out in the LME Rules;
"Mandatory Bidders"	has the meaning set out in Default Procedure C6.4;
"Mandatory CCP Provisions"	means the provisions listed and/or set out in Part B of Annex 6 (*Client Business Terms*);
"**Manual Compression**"	means the application of a Compression Run in accordance with the process set out in Rule 12.2.1(a)(i) and the remainder of Rule 12.2.1(b) to (h);
"**Manual Exercise Option Contract**"	means an Option Contract under which the option shall, if it is to be exercised, be exercised at the direction of the Option Holder (and which is not exercised automatically).
"**Manual or File Based Compression**"	means a Manual Compression or a File Based Compression;
"Margin Requirement"	means the sum of the amounts to be provided by a Member to LME Clear, and maintained by such Member (whether directly or indirectly through a Posting Affiliate or Posting Client), each day pursuant to Rule 8.1;

"Market Value"	means at any time the then current market value of an Instrument, Contract, Underlying Asset or Collateral (as the case may be) as determined by reference to the relevant index or metric specified in the Clearing Procedures;
"Member"	means a person admitted to use the Clearing System in accordance with Rule 3 (*Membership*) and the Membership Procedure either as a GCM or an ICM and, in the context of the Affiliate Posting Structure and the Client Direct Posting Structure, means the Member to whose Account the Contracts being collateralised are credited;
"Member Default"	means an instance of a single Member being declared a Defaulting Member by LME Clear pursuant to a Default Notice, due to one or more Default Events relating to that Defaulting Member;
"Member Additional DFC at risk"	has the meaning set out in Default Procedure C6.6;
"Member DFC at risk"	has the meaning set out in Default Procedure C6.6;
"Member Documentation"	means the agreement, documents and instruments which constitute the contractual relationship between a Member and LME Clear including these Rules, the Membership Agreement and any Security Documents and, where applicable, any Affiliate Documentation and Client Direct Posting Documentation;
"Member Interface"	means the functionality made available to Members via the Website to access Reports and other Member-specific information;
"Member Liquidity Requirement"	means in relation to a Member an obligation or liquidity requirement of LME Clear incurred in relation to the operation of the Clearing System (including financing unsettled amounts in connection with the settlement of Open Contracts and other items processed through the facilities of LME Clear as a clearing house and/or central counterparty under the Rules and refinancing funds made available by a lender or services provider to LME Clear for the purpose of settling such transactions in accordance with the Rules);
"Member Transferee"	has the meaning set out in Rule 10.7.1;
"Member Transferor"	has the meaning set out in Rule 10.7.1;
"Member Triparty Collateral Custody Account"	means an account in the name of a Member that is held at a Triparty Collateral Custodian and that is used, or is to be used, to hold Collateral and to effect the transfer of Collateral to LME Clear's Triparty Collateral Custody Account;

"Membership"	means the status of being a Member;
"Membership Agreement"	means the agreement, and any other documentation, in the form prescribed by LME Clear, pursuant to which a Member agrees to be bound by the Rules;
"Membership Criteria"	means the criteria to be satisfied in order to qualify for, and maintain, Membership of LME Clear, as specified in Membership Procedures B3, B4 and B5;
"Membership Procedures"	means the Procedures appended to the Rules under the title "Membership Procedures";
"MiFID II"	means the package of legislative measures comprising: (a) Directive 2014/65/EU of the European Parliament and of the Council of 15 May 2014 on markets in financial instruments; (b) Regulation (EU) No 600/2014 of the European Parliament and of the Council of 15 May 2014 on markets in financial instruments and amending EMIR; and (c) any delegated regulations made by the European Commission thereunder including, without limitation, the MiFID II (Indirect Clearing) Regulation; as amended from time to time;
"MiFID II (Indirect Clearing) Regulation"	means Commission Delegated Regulation (EU) 2017/2154 of 22 September 2017 supplementing Regulation (EU) No 600/2014 of the European Parliament and of the Council with regard to regulatory technical standards on indirect clearing arrangements;
"Minimum Cash Requirement"	has the meaning set out in Clearing Procedure D5.20;
"Net Capital"	has the meaning set out in Membership Procedure A;
"Net Liquidation Value" (or "NLV")	has the meaning set out in Clearing Procedure C4.2(d);
"Net Omnibus Segregated Client Account"	means a Direct Net Omnibus Segregated Client Account or an Indirect Net Omnibus Segregated Client Account;
"Net Position Product"	means an Eligible Product the Positions in which shall be calculated on a net basis, as identified in the table in Clearing Procedure B4.6;
"New Contract Position"	means, on any Business Day, the Position arising under each new Open Contract that has been Accepted during the Business Day;

"non-cash Collateral rights"	has the meaning set out in Annex 9 (*Account Transfer Process*);
"Non-Clearing Firm"	means a person that is not a Member, who is entitled to trade as a member or participant of an Approved Transaction Platform;
"Non-Identified Client"	has the meaning set out in Rule 5.1.6;
"Notice of Investigation" (or "NoI")	has the meaning set out in Membership Procedure A 2.1;
"Notice"	means a notice given under Rule 2.9 and "**Notify**" or "**Notification**" shall be construed accordingly;
"Office-Holder"	has the meaning set out in Rule 10.3.4;
"Omnibus Segregated Client Account"	means a Client Account established in accordance with Rule 4.2.3;
"On-Exchange Business"	means the business of any Member of entering into arrangements for the clearing of: (a) LME Contracts; or (b) any other form of Transaction executed or confirmed on an Organised Market, (as opposed to Transactions executed on an over-the-counter basis);
"Open Contract"	means a Contract under which the Respective Entitlements, including the Payment Obligations or Delivery Obligations remain to be fully satisfied;
"Opening Hours Circular"	has the meaning set out in Clearing Procedure B2.7;
"Operations GUI User Guide"	means the user guide for the use of the LMEmercury GUI made available by LME Clear to Members, as updated by LME Clear from time to time;
"Option Contract"	means a Contract that: (a) requires the payment of an Option Contract Premium; and (b) that entitles the party that has paid the Option Contract Premium to exercise an option on the terms specified in the Product Specifications;
"Option Contract Premium"	means the premium payable under an Option Contract for the purchase of the option;

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

"OTC Backloading Service"	has the meaning set out in Clearing Procedure B 3.15;
"OTC Bullion Products"	means those Eligible Products specified as such in Annex 1 *(Eligible Products)*; [*Not currently in use*]
"OTC Prescribed Terms"	means the terms specified for OTC Contracts in the Clearing Procedures and the Product Specifications;
"Parent Undertaking"	has the same meaning as set out in section 1162 of the Companies Act 2006;
"Partial Transfer"	has the meaning set out in Rule 10.7.6(a);
"Partial Transfer Window"	means a period determined by LME Clear in accordance with Rule 10.7.6 during a Default Period, following the expiry of which LME Clear will attempt to effect Partial Transfers for Requesting Clients in accordance with Rule 10.7 (*Portability of Client Accounts*) and Default Procedure D (*Porting Procedure*);
"Participating Member State"	means, at any time, each member state of the European Union whose lawful currency in force at that time is the euro, as adopted in accordance with legislation of the European Union relating to Economic and Monetary Union;
"Payment Obligation"	means any obligation of a party under a Contract: (a) to make a payment to the other party; or (b) to otherwise account to the other party for value in exchange for the performance by such other party of its Delivery Obligation (notwithstanding that such obligation may be discharged by the offset of other obligations as opposed to an actual cash payment), and includes for the avoidance of doubt: (i) the obligation under a Physical Delivery Contract for the Buyer to pay the Settlement Payment to the Seller (which shall include, in the case of LME Aluminium Premium Contracts, the LME Premium Warrant Payment Obligation, which shall comprise an obligation to deliver LME Warrants, together with the payment of cash); (ii) the obligation under a Financially Settling Contract for a party to pay the Settlement Payment to the other party; and (iii) the obligation under an Option Contract to pay an Option Contract Premium;

"Per Account VM Profit"	has the meaning set out in Rule 10.10.2(b);
"Per Default Stabilisation Replenishment Cap"	has the meaning set out in Rule 10.10.5(a);
"Permanent Capital"	has the meaning set out in Membership Procedure A 2.1;
"Physical Delivery Contract"	means a Contract for a Physically Settling Product;
"Physically Settling Product"	means an Eligible Product that requires the delivery or acceptance by a party of an Underlying Asset; the Physically Settling Products are listed in Clearing Procedure B7.1;
"Portfolio"	means a portfolio of Open Contracts of the Defaulting Member and any connected hedging agreements made by LME Clear under Default Procedure C6.2, as determined by LME Clear in accordance with Default Procedure C6.3A;
"Porting Election Period"	means a period that: (a) arises following the determination by LME Clear, in accordance with Rule 10 (*Default*) that a Default Event has occurred in respect of a Member; and (b) commences at a time specified by LME Clear by way of Notice; and (c) has a duration of four (4) hours; and (d) within which, all Porting Request Notices and consents that are required under the Rules in order for any Transfer to be made in connection with a Client Account must have been obtained from: (i) the Member Transferee; and (ii) (where necessary in accordance with any Rule) any Client(s), and submitted to LME Clear;
"Porting Period"	means the period comprising: (a) a Porting Election Period; and (b) a Porting Transfer Period, and including any Extended Porting Transfer Period;

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

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

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

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

"Relevant Parties"	has the meaning set out in Membership Procedure A;
"Relevant Rate"	means: (a) in respect of sterling amounts, SONIA; (b) in respect of euro amounts,€STR; (c) in respect of US Dollar amounts, the overnight OBFR; and (d) in respect of Japanese Yen amounts, TONAR;
"Relevant Rights and Obligations"	means, in relation to a party to a Transaction, that party's rights and obligations under the Transaction to make and/or receive cash payments and/or deliveries of Underlying Instruments and/or exercise any option;
"Remaining DFC"	has the meaning set out in Default Procedure C6.6;
“Rent Date”	means, in respect of an LME Warrant, the day on which rent falls due in respect of such LME Warrant, which date shall be 31 March in each calendar year unless (i) such day is not a day on which commercial banks and foreign exchange markets settle payments and are open for general business (including dealings in foreign exchange and foreign currency deposits) in London (a “**London Business Day**”) in which case it will fall on the immediately preceding London Business Day or (ii) as otherwise specified in respect of the relevant LME Warrant;
"Re-pledge Clause"	has the meaning set out in Annex 9 (*Account Transfer Process*);
“Requesting Client”	has the meaning set out in Rule 10.7.6(d);
"Requesting Member"	has the meaning set out in Rule 6.13.3;
"Requesting Member Transferee"	means a Requesting Member that is, in connection with an Inter-Member Transfer, the operator of the Destination Account;
"Requesting Member Transferor"	means a Requesting Member that is, in connection with an Inter-Member Transfer, the operator of the Origination Account;
"Report"	means a report listed in Annex 4 (*List of Available Reports*);
"Resignation Notice"	has the meaning set out in Rule 3.6.2;
"Resolution Authority"	has the meaning set out in Rule 10.13 (*LME Clear Default*);
"Respective Entitlements"	has the meaning set out in Rule 4.1.3;

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

"Security Document"	means any document at any time pursuant to which a Member creates a Security Interest or other collateral arrangement in favour of LME Clear (excluding any collateral arrangement in favour of LME Clear on behalf of or on trust for Clients of the Member);
"Security Interest"	means any mortgage, charge, pledge, lien or other encumbrance collateralising any obligation of any person or any other type of preferential arrangement (including title transfer and retention arrangements) having a similar effect;
"Seller"	means whichever party (LME Clear or the Member) under a Contract has: (a) the obligation to deliver the Underlying Asset; and / or (b) the right to receive payment of the Settlement Payment; or (c) is the Option Granter under an Option Contract;
"Service"	means the availability of the Clearing System in respect of a distinct category of products and identified as a separate service by LME Clear, and including the following distinct, separate services: (a) the LME Base Service; (b) the LMEprecious Service; and (c) any other distinct clearing service, specified as such by LME Clear from time to time;
"Service Agent"	has the meaning set out in Rule 2.13.3;
"Service Provider"	means any provider of services to LME Clear or any member of LME Clear's Group;
"Service Termination Notice"	has the meaning set out in Rule 3.7.2;
"Service Termination Date"	means the date on which the termination of a Service in respect of a Member becomes effective, in accordance with Rule 3.7 (*Termination of a Service by a Member*), Rule 3.10 (*Withdrawal of Services by LME Clear*) or Rule 3.12 (*Consequences of Suspension or Termination*), as applicable;
"Service Withdrawal"	has the meaning set out in Rule 3.11 (*Withdrawal of Services by LME Clear*);
"Service Withdrawal Notice"	has the meaning set out in Rule 3.11(a) (*Withdrawal of Services by LME Clear*);

"Settlement Account"	means a bank account maintained by a Member or by LME Clear with an Approved Settlement Bank to be used for making and receiving cash payments between LME Clear and a Member via the SPS and in respect of which LME Clear has been granted authority to direct payments;
"Settlement Agent"	means any entity appointed by LME Clear or a Member to act on its behalf or to assist in the discharge of any Delivery Obligation or Payment Obligation;
"Settlement Bank"	means a credit institution through which the settlement of cash payments may be effected;
"**Settlement Business Day**"	has the meaning given to it in the LME Rules;
"Settlement Contract"	means a Contract that requires settlement by the payment of a Settlement Payment on the Settlement Date, as specified in the Product Specifications;
"Settlement Currency"	means the currency in which a Contract for an Eligible Product shall be settled, which is determined by the terms of the original Transaction;
"Settlement Date"	means the date on which a Contract is required to be settled, as determined for each type of Contract in accordance with the relevant timetable set out in the Clearing Procedures;
"Settlement Finality Procedure"	means the Procedure appended to the Rules under the title "Settlement Finality Procedure";
"Settlement Finality Regulations"	means the Financial Markets and Insolvency (Settlement Finality) Regulations 1999, as amended from time to time;
"Settlement Instructions"	has the meaning set out in Rule 7.3.1;
"Settlement Payment"	means the amount payable under a Settlement Contract, determined by the Settlement Price for that Contract on the Settlement Date, as adjusted to reflect the current Position under the Contract;
"Settlement Price"	has the meaning set out in Clearing Procedure A6.5;
"Settlement to Market Process"	means the process set out in Clearing Procedure B5;
"Significant LMEprecious Member"	has the meaning set out in Default Procedure B 1.3(d);
"Silver"	means silver complying with the rules of London Bullion Market Association relating to good delivery in effect from time to time;

"SPAN"	means the "Standard Portfolio Analysis of Risk" methodology for calculating risk in relation to financial instruments, as developed by the Chicago Mercantile Exchange;
"SPS Mandate Forms"	means the direct debit authorities, in the form prescribed by LME Clear that the Member shall put in place with each Approved Settlement Bank, in accordance with Clearing Procedure E2;
"Stabilisation Replenishment Notice"	has the meaning set out in Rule 10.10.5;
"Strike Price Gradation"	has the meaning set out in the LME Rules and notices issued thereunder from time to time;
"Subsidiary"	means a subsidiary within the meaning of section 1159 of the Companies Act 2006;
"Substitution of Cash"	has the meaning set out in Clearing Procedure D4.7;
"Substitution of Non-cash Assets"	has the meaning set out in Clearing Procedure D4.7;
"Tax"	means any tax, levy, impost, duty or other charge or withholding of a similar nature imposed by any competent authority in any jurisdiction, including any interest, penalty, charge and/or expense payable in connection with any failure to pay or any delay in paying any of the same;
"Terminated Services"	has the meaning set out in Rule 3.8 (*Exposure Limiting Resignation*);
"Termination Date"	means the date on which the termination of a Member's Membership becomes effective, in accordance with Rule 3.6 (*Withdrawal from Membership*), Rule 3.10 (*Termination by LME Clear of a Member's Membership*), Rule 3.11 (*Withdrawal of Services by LME Clear*) or Rule 3.12 (*Consequences of Suspension or Withdrawal*), as applicable;
"TOM"	has the meaning set out in notices issued by LME under the LME Rules;
"Total Member VM Profits"	has the meaning set out in Rule 10.10.2(a);
"Transaction"	means any transaction in an Eligible Product agreed between two counterparties (including where such transaction is arranged by a RIB);
"Transaction Data"	means the information provided by an Approved Transaction Platform to LME Clear in respect of a Transaction, identifying such information as LME Clear may prescribe from time to time;

"Transfer"	has the meaning set out in Rule 10.7.1 (*Portability of Client Accounts*) and shall include, where the context demands, a Partial Transfer;
"Transfer Conditions"	has the meaning set out in Rule 6.13.5;
"Transfer Request Notice"	has the meaning set out in Rule 6.13.3;
"transferring rights and obligations"	has the meaning set out in Annex 9 (*Account Transfer Process*);
"Transfer Order"	means an instruction given by or on behalf of LME Clear or a Member that is of the kind specified in the Settlement Finality Procedure;
"Transfer Time"	has the meaning set out in Default Procedure D2.8;
"Transfer-Specific Conditions"	has the meaning set out in Rule 6.13.5;
"Treasury Counterparty"	has the meaning set out in Rule 10.14 (*Allocation of Non-Default Losses*);
"Triparty Collateral Custodian"	means a custody provider approved by LME Clear from time to time to operate a triparty custody arrangement enabling Members to transfer Securities Collateral and Cash Collateral between the Triparty Collateral Custody Account in their name, to the Triparty Collateral Custody Account of LME Clear, and LME Clear to transfer Securities Collateral and Cash Collateral between the Triparty Collateral Custody Account held in LME Clear's name, to the Triparty Collateral Custody Account of a Member, in each case in accordance with these Rules and the Triparty Custody Documentation;
"**Triparty Collateral Custody Account**"	means a Member Triparty Collateral Custody Account or LME Clear's Triparty Collateral Custody Account, as the context shall require;
"**Triparty Custody Documentation**"	means the legal agreement(s) governing the provision of a Triparty Custody Arrangement, including for these purposes, the relevant Security Document, any related terms and conditions and operating procedures or similar operational documentation, as the context may require, that a Member wishing to use a Triparty Custody Arrangement is required by the Triparty Collateral Custodian and/or LME Clear to enter into in order to use the Triparty Custody Arrangement;
"**Triparty Custody Arrangement**"	means a triparty custody arrangement pursuant to which both LME Clear and a Member hold accounts at the same Triparty Collateral Custodian, enabling the transfer of Securities Collateral and Cash Collateral, between such accounts;

"Triparty Transaction Amount"	means the monetary value, as amended from time to time, that a Member has notified to the relevant Triparty Collateral Custodian and to LME Clear as being the total amount of Collateral to be held in LME Clear's Triparty Collateral Custody Account in order to meet all or part of such Member's Margin Requirement;
"Unaffected Party"	means whichever of LME Clear, the Member, the Posting Affiliate or the Posting Client is not the Affected Party;
"Unallocated Gold Account"	means an account held with the Gold Custodian in the name of LME Clear recording the amount of Gold which the Gold Custodian has a contractual obligation to transfer to LME Clear (or, in the case of a debit balance, which LME Clear has a contractual obligation to transfer to the Gold Custodian) and shall include any sub-account opened within it;
"Unclosed Metal"	has the meaning set out in Rule 10.10.2(d)(ii);
"Underlying Asset"	means the asset, commodity, currency, metal, property, document, right, interest or financial instrument: (a) that is to be delivered under a Physical Delivery Contract; or (b) by reference to which the Settlement Price of a Financially Settled Contract is to be determined in accordance with the Clearing Procedures; and may, for the avoidance of doubt, include LME Warrants. Immobilised Warrants or Underlying Metal;
"Underlying Client Trade"	means a contract between: (a) a Member and a Client; or (b) a Client and an Indirect Client; or (c) a Client and any other party, representing a trade in an Eligible Product, on corresponding terms to a Contract between the Member and LME Clear, that comes into effect in accordance with the LME Rules and/or any terms of business between the relevant parties in (a), (b) or (c) upon the formation of such Contract;
"Underlying Forward"	has the meaning set out in Clearing Procedure B6.6;
"Underlying Metal"	has the meaning set out in the LME Rules;
"United Kingdom" or "UK"	means The United Kingdom of Great Britain and Northern Ireland;
"US Business Day"	means a Business Day which is also a day on which commercial banks and foreign exchange markets settle payments and are open for general business (including

	dealings in foreign exchange and foreign currency deposits) in New York;
"Variation Margin Requirements"	has the meaning set out in Clearing Procedure C4.1;
"VAT"	means (i) any tax imposed by the Council Directive of the European Union (2006/112/EC) and any national legislation implementing that directive or its predecessor directives, including the United Kingdom Value Added Tax Act 1994 together with legislation supplemental thereto and, in relation to any other jurisdiction, the equivalent tax (if any) in that jurisdiction; (ii) any value added tax imposed by the Value Added Tax Act 1994; and (iii) any other tax of a similar nature, whether imposed in the United Kingdom or in a member state of the European Union in substitution for, or levied in addition to paragraphs (i) and (ii) above or imposed elsewhere.
"VM Haircut"	has the meaning set out in Rule 10.10.2(b);
"Voluntary Bidders"	has the meaning set out in Default Procedure C6.4;
"Voluntary Close Out Date"	has the meaning set out in Rule 3.13.4(a);
"Voluntary Close Out Date Notice"	has the meaning set out in Rule 3.13.4(a);
"Warehouse"	has the meaning set out in the LME Rules;
"Warehouse Agreement"	has the meaning set out in the LME Rules;
"Warrant Movement"	means the net movement of LME Warrants to be transferred between LME Clear and a Member on any given day, as determined in accordance with Clearing Procedure B7;
"Warrant Transfer Instruction"	means an instruction issued by LME Clear, a Member, a Posting Affiliate or a Posting Client, via LMEsword, for the delivery of LME Warrants;
"Website"	means the website of LME Clear; and
"Withdrawn Product"	has the meaning set out in Rule 7.10.1(a).

1.2 INTERPRETATION

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

performance by that Member of all of its present and future obligations to LME Clear pursuant to the Rules or the operation of the Clearing System..

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

1.2.3 No reference in these Rules to Applicable Law or Applicable Clearing Regulations shall be construed as restricting or negating the applicability of any provision of MiFID II, the EMIR Level 1 Regulation or the EMIR Level 2 Regulations or the Financial Services and Markets Act 2000 or any subordinate legislation, rules or guidance thereunder or any obligation of LME Clear, a Member, a Client or an Indirect Client under MiFID II, the EMIR Level 1 Regulation or the EMIR Level 2 Regulations or the Financial Services and Markets Act 2000 or any subordinate legislation, rules or guidance thereunder.

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

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

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

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

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

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

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

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

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

RULE 2 - GENERAL PROVISIONS

2.1 RULES AS A BINDING AGREEMENT

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

(a) the Member Documentation; and

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

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

(a) the Affiliate Documentation; and

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

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

(a) the Client Direct Posting Documentation; and

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

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

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

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

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

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

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

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

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

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

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

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

2.2 AMENDMENTS TO RULES

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

Rule Change Notice

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

(a) the text of the Rule Change;

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

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

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

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

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

2.2.3 In the event that a Rule Change:

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

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

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

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

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

Consultation Process

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

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

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

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

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

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

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

(c) relates to the Fees;

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

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

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

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

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

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

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

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

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

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

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

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

Additional Rule Change Requirements

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

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

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

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

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

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

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

2.3 LIABILITY AND INDEMNITY

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

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

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

(c) the suspension or closure of LME Clear;

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

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

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

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

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

(i) a Force Majeure Event;

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

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

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

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

(n) any Service Withdrawal;

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

2.4 FORCE MAJEURE

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

2.4.2 On the occurrence of a Force Majeure Event:

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

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

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

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

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

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

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

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

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

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

2.5 TIMING AND PROCESS FOR OPTION EXPIRY

Timing for Option Expiry

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

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

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

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

Process for Option Expiry

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

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

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

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

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

2.6 CONFIDENTIALITY

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

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

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

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

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

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

(e) to a trade repository authorised by an appropriate Regulator to receive and manage information regarding the Member, any Transaction, or any Contract, to the extent

necessary to enable LME Clear to discharge any duty to which it is subject to report such information to a trade repository;

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

(b) to LME Clear itself;

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

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

(e) with the consent of LME Clear;

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

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

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

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

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

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

A Member must not disclose any information regarding the composition of any Auction Portfolio to any Client for which LME Clear has not provided such consent and entered into a confidentiality agreement in accordance with this Rule. LME Clear may refuse any

request by a Member that is made during any Default Period to allow a Client to assist in the formulation of an auction bid where the conditions specified in this Rule have not been satisfied in respect of that Client prior to the commencement of the Default Period.

2.7 INTELLECTUAL PROPERTY RIGHTS

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

(a) LME Clear Data; and

(b) the Clearing System; and

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

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

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

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

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

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

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

2.7.3 LME Clear hereby grants to each Member:

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

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

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

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

2.8 DATA PROTECTION

2.8.1 In this Rule 2.8:

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

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

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

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

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

2.8.2 LME Clear may:

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

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

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

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

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

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

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

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

Affiliate's or Posting Client's personnel, such Member, Posting Affiliate or Posting Client shall ensure that:

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

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

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

2.9 NOTICES

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

(a) shall be in writing and in English;

(b) shall be sent:

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

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

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

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

2.9.2 The table below sets out:

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

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

Delivery method	**Deemed delivery date and time**
Delivery by hand.	On signature of a delivery receipt.
Pre-paid first class recorded delivery post or other next Business Day delivery service.	9.00 am on the second Business Day after posting.
Pre-paid airmail.	9.00 am on the fifth Business Day after posting.

Document exchange (DX).	9.00 am on the second Business Day after being put into the DX.
Email.	At the time of transmission.
Circular.	At the time of publication on the Website.

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

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

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

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

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

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

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

(b) email addressed to all Members.

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

2.9.7 For the avoidance of doubt:

(a) a Default Notice; or

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

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

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

2.10 METHODS OF COMMUNICATION

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

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

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

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

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

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

2.11 WAIVER

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

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

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

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

2.12 SEVERABILITY

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

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

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

2.13 GOVERNING LAW AND JURISDICTION

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

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

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

2.14 WAIVER OF SOVEREIGN IMMUNITY

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

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

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

2.15 DELEGATION BY LME CLEAR

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

2.16 EXERCISE OF DISCRETION BY LME CLEAR

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

2.17 CURRENCY CONVERSION

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

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

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

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

2.18 SET-OFF

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

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

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

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

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

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

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

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

2.18.4 Without any prejudice to any other rights or remedies of LME Clear (including under Rule 2.18.1 and any Security Document, Affiliate Security Document or Posting Client Security Document), LME Clear may at any time and from time to time (and without notice) take any Collateral provided by a Member, Posting Affiliate or Posting Client and apply it against any indebtedness due to it by the relevant Member.

2.19 DISCLOSURE OF ADVICE

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

2.20 RECORDING OF TELEPHONE CALLS

LME Clear may record:

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

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

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

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

RULE 3 - MEMBERSHIP

3.1 MEMBERSHIP CATEGORIES AND APPLICATION PROCESS

Applications for Membership

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

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

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

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

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

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

3.1.3 Each Member may be categorised either as:

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

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

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

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

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

Participation in Services

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

3.2 ON-GOING MEMBERSHIP REQUIREMENTS

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

3.2.2 A Member shall at all times:

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

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

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

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

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

3.2.3 Each Member shall comply with:

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

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

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

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

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

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

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

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

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

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

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

3.3 SUPERVISION AND AUDIT RIGHTS OF LME CLEAR

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

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

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

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

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

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

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

3.4 FEES AND CHARGES

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

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

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

3.5 TERMINATION OR SUSPENSION OF MEMBERSHIP GENERALLY

3.5.1 A Member's Membership may be:

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

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

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

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

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

3.6 WITHDRAWAL FROM MEMBERSHIP

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

3.7 TERMINATION OF A SERVICE BY A MEMBER

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

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

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

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

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

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

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

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

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

3.8 EXPOSURE LIMITING RESIGNATION

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

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

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

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

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

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

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

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

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

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

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

(d) cease to:

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

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

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

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

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

3.9 SUSPENSION OF A MEMBER BY LME CLEAR

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

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

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

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

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

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

3.10 TERMINATION BY LME CLEAR OF A MEMBER'S MEMBERSHIP

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

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

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

3.11 WITHDRAWAL OF SERVICES BY LME CLEAR

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

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

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

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

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

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

3.12 NOTIFICATION OF SUSPENSION OR TERMINATION

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

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

(a) the appropriate Regulators; and

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

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

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

3.13 CONSEQUENCES OF SUSPENSION OR TERMINATION

General

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

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

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

Close-Out and Liquidation of Open Positions

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

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

(b) the Voluntary Close Out Date shall be:

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

Delay of Termination Date

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

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

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

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

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

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

Withdrawal of Notice by LME Clear

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

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

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

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

Continuing Disciplinary Action

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

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

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

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

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

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

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

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

Return of Asset Cover

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

Timing of Recalculation of Default Fund

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

3.14 COMPLAINTS

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

3.15 DISCIPLINE

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

3.16 APPEAL

Any appeal against:

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

(b) a decision by the Disciplinary Committee,

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

RULE 4 - ACCOUNTS

4.1 OBLIGATION TO MAINTAIN ACCOUNTS

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

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

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

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

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

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

(b) all Positions associated with such Contracts;

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

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

4.2 ACCOUNT OPTIONS

House Account

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

Types of Client Account

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

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

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

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

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

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

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

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

(iii) Indirect Gross Omnibus Segregated Client Account.

Omnibus Segregated Client Accounts

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

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

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

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

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

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

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

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

(2) Positions without an Allocation ID; and

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

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

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

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

Individual Segregated Client Accounts

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

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

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

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

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

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

(ii) Positions without an Allocation ID; and

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

Additional Requirements and Restrictions

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

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

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

Administrative Accounts

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

(a) in order to facilitate Give-Ups;

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

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

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

4.3 ACCOUNT SEGREGATION

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

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

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

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

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

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

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

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

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

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

4.4 POSITION MANAGEMENT

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

4.5 LEGALLY COMPLIANT ACCOUNT STRUCTURES

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

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

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

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

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

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

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

RULE 5 - CLIENT BUSINESS AND PORTABILITY ARRANGEMENTS

Background

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

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

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

5.1 AVAILABILITY OF PORTING TO CLIENT ACCOUNTS

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

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

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

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

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

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

(i) Identified Clients; or

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

5.1.2 Where:

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

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

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

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

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

Identified Clients and Non-Identified Clients

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

(a) the identity of such Client; and

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

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

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

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

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

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

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

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

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

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

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

5.2 ESTABLISHMENT OF APPROPRIATE CONTRACT TERMS WITH CLIENTS

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

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

(b) the Member has:

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

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

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

(ii) provided written notification to its Client:

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

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

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

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

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

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

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

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

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

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

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

is aware and understands that:

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

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

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

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

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

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

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

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

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

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

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

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

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

5.3 MEMBER OBLIGATIONS IN SUPPORT OF CLIENT ACCOUNTS

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

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

(b) at all times ensure that:

(i) any Transactions submitted to LME Clear; and

(ii) any Collateral provided to LME Clear

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

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

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

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

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

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

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

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

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

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

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

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

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

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

(a) its Clients; and

(b) any other matters specified in Rule 5.3.1,

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

Allocation IDs

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

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

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

5.4 AUTOMATIC PORTING PROCESS

Submission of Automatic Porting Designation Documents

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

(a) the Client itself; and

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

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

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

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

Obligations of Designated Member Transferee

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

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

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

Termination or Change of Arrangements Supporting Automatic Porting Designation Document

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

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

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

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

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

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

5.5 CLIENT MONEY

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

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

RULE 6 - ACCEPTANCE

6.1 INTRODUCTION

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

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

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

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

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

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

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

6.2 APPROVED TRANSACTION PLATFORMS

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

6.3 TRANSMISSION AND PROCESSING OF TRANSACTION DATA

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

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

6.4 OPEN OFFER AND ACCEPTANCE CRITERIA

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

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

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

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

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

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

6.5 FORMATION OF CONTRACTS

Upon Acceptance of a Transaction:

(a) Subject to (b) below:

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

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

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

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

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

6.6 ALLOCATION OF CONTRACTS

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

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

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

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

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

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

6.7 TREATMENT OF UNDERLYING CLIENT TRADES

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

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

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

6.8 LME CLEAR NOT ON RISK UNTIL ACCEPTANCE

For the avoidance of doubt:

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

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

6.9 POST-ACCEPTANCE OBLIGATIONS

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

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

6.10 ACCOUNTS

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

6.11 POSITION MAINTENANCE AND DAILY SETTLEMENT TO MARKET

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

6.11.2 The Clearing Procedures specify:

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

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

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

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

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

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

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

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

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

6.12 MEMBERS AS PRINCIPALS

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

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

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

6.13 TRANSFER OF CONTRACTS IN THE ABSENCE OF DEFAULT

Account Transfers

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

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

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

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

Process for Requesting Account Transfers

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

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

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

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

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

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

Conditions to Account Transfer

6.13.5 LME Clear may effect an Account Transfer where:

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

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

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

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

6.13.7 The Common Transfer Conditions are that:

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

Requesting Member Responsibility for Clients and Indirect Clients

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

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

(i) are notified of:

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

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

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

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

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

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

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

(ii) either:

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

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

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

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

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

6.14 NO TRANSFER OF RIGHTS AND OBLIGATIONS

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

6.15 CANCELLATION OF CONTRACTS

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

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

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

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

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

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

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

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

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

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

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

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

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

6.16 CONTRACTS AS BINDING OBLIGATIONS

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

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

(b) it expires in accordance with its terms;

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

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

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

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

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

6.17 REPORTS

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

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

RULE 7 - SETTLEMENT AND CONTRACT PERFORMANCE

7.1 INTRODUCTION

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

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

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

7.2 TYPES OF SETTLEMENT

Contracts Settled under LME Rules

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

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

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

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

Contracts that are not Contracts Settled Under LME Rules

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

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

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

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

in accordance with Rule 7.5 below;

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

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

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

(c) Option Contracts shall be discharged upon:

(i) expiry; or

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

7.3 ISSUE OF SETTLEMENT INSTRUCTIONS

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

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

7.4 CASH SETTLEMENT ARRANGEMENTS

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

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

7.5 PHYSICAL DELIVERY

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

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

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

(a) where the Member is the Seller:

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

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

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

(b) where the Member is the Buyer:

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

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

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

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

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

7.6 OPTION CONTRACTS

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

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

(a) Rule 7.4 above; and

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

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

7.6.4 *[left intentionally blank]*

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

(a) Rules 7.4 above; and

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

7.6.6 Upon the exercise of an option under an Option Contract that provides for the creation of one or more new Contracts, then upon the Option Exercise Date:

(a) the Option Contract shall be discharged; and

(b) one or more new Contracts shall be deemed to take effect between LME Clear and the Member, in accordance with and on such terms as are specified in the Clearing Procedures.

7.6.7 *[left intentionally blank]*

7.6.8 The settlement obligations specified in this Rule 7.6 shall be performed in accordance with the procedures, requirements and timescales specified in the Clearing Procedures (including, for the avoidance of doubt, Clearing Procedure B6 (*Option Exercise and Assignment*)).

7.7 FAILURE TO SETTLE

7.7.1 All payments and deliveries required to be made pursuant to this Rule 7 shall be made:

(a) on the Settlement Date; or

(b) on the Option Exercise Date, where the relevant Option Contract requires a payment or delivery to be made on its exercise; and

(c) in accordance with such additional procedural requirements,

that in each case are to be determined in relation to the relevant Contract in accordance with the Clearing Procedures. A Member shall ensure that any Cash Settlements or Delivery Obligations in respect of a Contract are performed in accordance with such specified requirements.

7.7.2 A Member that fails to ensure that its Cash Settlements or Delivery Obligations are performed in accordance with this Rule 7 may constitute an Act of Misconduct and/or may be subject to action by LME Clear pursuant to Rule 10 (*Default*).

7.7.3 Without prejudice to Rule 7.7.2, in the event of a Failed Settlement Position, LME Clear shall be entitled to take any action permitted or contemplated by:

(a) the LME Rules, where the Failed Settlement Position relates to a Contract Settled Under LME Rules; and/or

(b) the Default Procedures; and /or

(c) Rule 7.8 below; and/or

(d) Rule 7.9 below, where the Failed Settlement Position relates to an LMEprecious Future.

7.8 BUY-IN AND INVOICING BACK

7.8.1 In the event that:

(a) a Member fails to deliver an Underlying Asset to LME Clear in fulfilment of its Delivery Obligation under a Physically Settling Contract; and

(b) LME Clear requires an Underlying Asset in order to satisfy any Delivery Obligation that LME Clear has to any Member under a Physically Settling Contract,

LME Clear may:

(i) in accordance with Rule 7.8.2, effect a buy-in of the relevant Underlying Asset in order to enable LME Clear to discharge such Delivery Obligation (a "**Buy-In**"); or

(ii) in the event that LME Clear determines that it is not possible or practicable to effect a Buy-In, and in accordance with Rule 7.8.3, make a Cash Settlement to any Member in respect of which LME Clear has such a Delivery Obligation in substitution for the delivery of the Underlying Asset, in order to close out LME Clear's open Positions in respect of Contracts requiring delivery by LME Clear of such Underlying Asset ("**Invoice Back**").

7.8.2 Buy-In

(a) LME Clear may effect a Buy-In by purchasing or borrowing the relevant Underlying Asset from another Member or pursuant to a transaction with a third party. LME Clear may effect such Buy-In:

(i) (except where (ii) below applies) at such price as is determined in accordance with the LME Rules applying to Buy-Ins or, where no such LME Rules apply in respect of the relevant Contract, at the latest Closing Price for such Underlying Asset or, if such Closing Price is not available, at such price as LME Clear determines is reasonably appropriate in the circumstances in consultation with the EMIR Risk Committee; or

(ii) where the Underlying Asset is a Precious Metal, at the prevailing market price for such Precious Metal at the time of the Buy-In; and

(iii) in such manner as LME Clear considers appropriate in the circumstances.

(b) In the event that LME Clear effects a Buy-In, the Member that failed to deliver the relevant Underlying Asset shall reimburse LME Clear for all costs incurred by LME Clear in purchasing or borrowing the Underlying Asset, including, without limitation, the amount paid by LME Clear to purchase the Underlying Asset and any costs incurred by LME Clear in executing the transaction to purchase or borrow the Underlying Asset. LME Clear shall notify the Member detailing the amount LME Clear requires the Member to reimburse and such payment shall be settled as a Cash Settlement.

7.8.3 Invoice Back

(a) LME Clear may effect an Invoice Back:

(i) at such price as is determined in accordance with the LME Rules applying to Invoice Back or, where no such LME Rules apply in respect of the relevant Contract, at the latest Closing Price for such Underlying Asset or, if such Closing Price is not available, at such price as LME Clear determines is reasonably appropriate in the circumstances in consultation with the EMIR Risk Committee; and

(ii) in such manner as LME Clear considers appropriate in the circumstances.

(b) In the event that LME Clear effects an Invoice Back, the Member that failed to deliver the relevant Underlying Asset shall reimburse LME Clear for all costs, liabilities or losses incurred by LME Clear in effecting the Invoice Back. LME Clear shall notify the Member detailing the amount LME Clear requires the Member to reimburse and such payment shall be settled as a Cash Settlement.

7.8.4 This Rule 7.8 explains the meaning of "Invoice Back" for the purpose of the LME Rules. For the avoidance of doubt, an Invoice Back shall be a cash settlement of the relevant Contract.

7.8.5 LME Clear's rights under this Rule 7.8 are without prejudice to its other rights under these Rules, including without limitation Rule 2.4 (*Force Majeure*), Rule 7.7 above, Rule 10 (*Default*) and the Default Procedures.

7.9 POSTPONED DELIVERY (LMEPRECIOUS FUTURES)

7.9.1 In the event that a Member fails to deliver an Underlying Asset to LME Clear in fulfilment of its Delivery Obligation under a Physically Settling Contract that is an LMEprecious Future:

(a) subject to (d) below, LME Clear shall allow the Member to deliver the Underlying Asset to LME Clear until 12pm on the next following Business Day, notwithstanding the Settlement Date for the Contract;

(b) in the event that LME Clear allows a delivery to be postponed pursuant to (a) above:

(i) it shall notify the Member;

(ii) the Contract(s) that are the subject of the failed delivery shall be subject to the application of a Variation Margin Requirement calculated on the basis of the Cash Contingent Variation Margin approach;

(iii) in the event that the Member fails to deliver the Underlying Asset to LME Clear by 12pm on the next following Business Day, LME Clear may take any such action as it may have taken on the Settlement Date pursuant to Rule 7.7.3 (including the powers specified in Rule 7.8) or may elect to accept the delivery of the Underlying Asset from the Member provided that LME Clear has not initiated a Buy-In; and

(iv) the Cash Settlement by LME Clear to such Member may be made at any time on such next following Business Day;

(c) the Member shall have committed an Act of Misconduct and may be subject to disciplinary proceedings pursuant to Membership Procedure D; and

(d) in the event that the Member becomes a Defaulting Member, LME Clear reserves its right to take such other action as may be permitted pursuant to Rule 7.7.3 and Rule 10 (*Default*).

7.9.2 In the event that LME Clear allows a delivery to be postponed pursuant to Rule 7.9.1(a) above, then:

(a) one or more Open Contracts for LMEprecious Futures with Members having a Receive Entitlement in respect of an Underlying Asset of the same type as that which has not been delivered to LME Clear shall be subject to a postponement of LME Clear's performance of its Delivery Obligation until LME Clear is able to make

delivery, following receipt of the Underlying Asset from the Member that is subject to Rule 7.9.1(a) or LME Clear having obtained the Underlying Asset pursuant to the completion of a Buy-In with respect to such Member;

(b) the Open Contracts to be made subject to such postponement shall be selected by reference to a methodology that will have regard to (i) the timing of the Cash Settlement made by the Member with the Receive Entitlement; (ii) the sizes of LME Clear's Delivery Obligations under such Open Contracts; and (iii) whether a Member with a Receive Entitlement has already been subject to a postponement in respect of that Receive Entitlement; and

(c) notwithstanding the postponement of LME Clear's Delivery Obligation, any Member to which (a) applies shall not be relieved of its obligation to ensure that any Cash Settlement in respect of the Contract is performed on the scheduled Settlement Date.

7.9.3 It is the responsibility of each General Clearing Member to ensure that, where it is a party to any Underlying Client Trade the performance of which by the General Clearing Member is dependent upon receipt of an Underlying Asset from LME Clear pursuant to a Delivery Obligation under a Contract, the General Clearing Member is able to postpone its own delivery of such Underlying Asset to its Client in the event that LME Clear exercises its discretion pursuant to Rule 7.9.2 above.

7.10 MANDATORY CASH SETTLEMENT FOR UNAVAILABLE PRICING DATA

7.10.1 In the event that: (i) LME Clear is unable for any reason to obtain access to any Pricing Data (either directly or via its Price Source) on an on-going basis, or loses access to such Pricing Data; or (ii) any such Pricing Data is subject to investigation, suspension or prohibition by any regulatory authority having authority over the issuer or users of such Pricing Data in circumstances where LME Clear, acting reasonably, considers that it is no longer appropriate or prudent to continue using such Pricing Data; or (iii) LME Clear is directed to cease using any such Pricing Data by a Clearing House Regulator, and LME Clear determines that it is not appropriate or acceptable to LME Clear (or, where relevant, its Price Source) to exercise its powers to determine for itself the relevant Pricing Data, then LME Clear may take any or all of the following steps:

(a) determine that such Eligible Product shall cease to be eligible for clearing in the Clearing System, such that the contract shall cease to be an Eligible Product (such contract being a "**Withdrawn Product**");

(b) refuse to Accept any further Transactions in respect of such Withdrawn Product; and

(c) require all Open Contracts in such Withdrawn Product shall be cash settled in accordance with Rule 7.10.4 below.

7.10.2 In the event that LME Clear determines to take any of the actions specified in Rule 7.10.1, LME Clear shall issue a Circular specifying:

(a) the steps that LME Clear proposed to take; and

(b) the timeframes within, and any deadlines by which, such steps shall be taken; and

(c) what steps, if any, Members with Open Contracts in Withdrawn Products shall be required to take.

7.10.3 Promptly following the issue of such Circular, Members with Open Contracts in Withdrawn Products shall comply with, and implement, any steps specified to be taken by such Members in the Circular.

7.10.4 If LME Clear determines to require all Open Contracts in such Withdrawn Products to be cash settled, then:

(a) LME Clear will:

(i) permit such Open Contracts with LME Clear to be withdrawn for bilateral settlement between two Members;

(ii) run a final settlement cycle for such Open Contracts at a time chosen by LME Clear;

(iii) terminate all such Open Contracts on a Settlement Date determined by LME Clear and the price for the cash settlement of such Open Contracts shall be determined at:

(1) the latest Closing Price for the Underlying Assets for such Open Contracts; or

(2) if such Closing Price is not available, the price shall be such price as the Board determines is reasonably appropriate in the circumstances in consultation with the EMIR Risk Committee; and

(iv) notify each Member of any amounts payable as determined by the final settlement cycle (which will be immediately paid by each Member to LME Clear in accordance with Rule 8 (*Margin Requirement and Collateral*),

in each case on such terms and conditions as LME Clear may determine as appropriate in the circumstances then prevailing; and

(b) it shall be the responsibility of each Member that has any Underlying Client Trade with any Client that corresponds to an Open Contract that is terminated pursuant to (a) above to ensure that:

(i) such Underlying Client Trade; and

(ii) any other corresponding Underlying Client Trade that may be in effect between the Client, an Indirect Client and/or any other person pursuant to an Indirect Clearing Arrangement,

is settled or otherwise closed out at the same time as the settlement of the Open Contract. LME Clear shall have no responsibility for any matter falling within this paragraph (b).

7.10.5 Nothing in this Rule 7.10 shall prevent or limit LME Clear from determining, subsequently to any Circular issued pursuant to Rule 7.10.2, that a Withdrawn Product shall again be treated as an Eligible Product, in the event that LME Clear determines that it has access to an appropriate source of Pricing Data for such contract. Any such determination shall be notified to Members by LME Clear pursuant to the issue of a Circular, specifying:

(a) the date from which such contract shall be treated as an Eligible Contract; and

(b) the Pricing Data that LME Clear shall use in connection with such Eligible Contract.

7.11 Delivery Failure Prevention Service

7.11.1 Where:

(a) a Member has failed to appropriately manage its Positions with the result that off-setting long and short Delivery Positions in respect of an Underlying Asset are contained in different Accounts after the Final Delivery Position has been determined, and as a result is unable to allocate the appropriate LME Warrants in order to meet a Delivery Obligation (an "**At Risk Delivery Obligation**"); and

(b) the Member can demonstrate that, under the same LME Warrant allocation and delivery process, it has a Receive Entitlement in respect of the same Underlying Asset as is required to be delivered under the At Risk Delivery Obligation (a "**Corresponding Receive Entitlement**"),

then that Member may request that LME Clear delivers to the Member under the Corresponding Receive Entitlement the LME Warrants that the Member is due to receive in order for the Member to deliver the same LME Warrants back to LME Clear in order to meet the At Risk Delivery Obligation.

7.11.2 If the Member wishes to make a request pursuant to 7.11.1 above, it must do so as soon as it becomes aware of the situation and in any event by no later than 10:30am on the date that the At Risk Delivery Obligation is due under the LME Rules and/or these Rules (as applicable). The Member must provide such information, representations and confirmations as LME Clear may require in writing in order for LME Clear to consider and act upon the request.

7.11.3 In the event that LME Clear agrees to the request, then in satisfaction of the At Risk Delivery Obligation, the requesting Member must return to LME Clear the same LME Warrants that it received under its Corresponding Receive Entitlement. The Member must at all times comply with the LME Rulebook.

7.11.4 The application of this Rule 7.11 shall be at the discretion of LME Clear and LME Clear shall be under no obligation to agree or give effect to the process described in Rules 7.11.1 to 7.11.3 above, nothwithstanding:

(a) any request by a Member to do so; or

(b) any other provision of the Rules.

7.11.5 In the event that LME Clear declines to give effect to the process set out in Rules 7.11.1 to 7.11.3, LME Clear shall notify the Member.

7.11.6 In the event that LME Clear agrees to give effect to the process set out in Rules 7.11.1 to 7.11.3, the requesting Member shall pay to LME Clear such fee for the implementation of such process as may be specified by LME Clear from time to time.

7.11.7 Nothing in this Rule 7.11 shall prevent LME Clear from exercising its rights under any Rule, including Rule 7, Rule 10 and/or Rule 3.15.

RULE 8 - MARGIN REQUIREMENT AND COLLATERAL

8.1 COLLATERAL

Each Member shall provide to LME Clear, and maintain on a daily basis for so long as it is a Member, Eligible Collateral with a Collateral Value sufficient to satisfy its Margin Requirement, which shall comprise:

(a) the End of Day Margin Requirement;

(b) the Intra-Day Margin Requirement(s); and

(c) any other margin requirements (which excludes a Default Fund Contribution) required at any time by LME Clear pursuant to the Rules and the Procedures,

as collateral, cover and/or credit support for the performance by that Member of all of its present and future obligations to LME Clear pursuant to the Rules or the operation of the Clearing System. Notwithstanding the application of the Affiliate Posting Structure or the Client Direct Posting Structure, the relevant Member shall remain responsible for maintaining the Member's Margin Requirement in full at all times.

8.1A PERMITTED USE OF TRIPARTY CUSTODY ARRANGEMENTS

Where permitted by LME Clear in accordance with Clearing Procedure D, a Member may use a Triparty Custody Arrangement to facilitate the transfer of Collateral to LME Clear to satisfy its Margin Requirement (in whole or in part, and subject to the provisions of this Rule 8). Such Triparty Custody Arrangement shall be used for the purposes of transferring Securities Collateral from the Member's Triparty Collateral Custody Account to LME Clear's Triparty Collateral Custody Account, subject that the Member shall be permitted to transfer Cash Collateral to LME Clear's Triparty Collateral Custody Account where the Member has insufficient Securities Collateral in its Member Triparty Collateral Custody Account to meet its Triparty Transaction Amount. Prior to a Member seeking to transfer Collateral from its Member Triparty Collateral Custody Account to LME Clear's Triparty Collateral Custody Account in relation to a Margin Requirement, the Member shall notify LME Clear of the Member's Triparty Transaction Amount by entering the Triparty Transaction Amount via the LME Mercury GUI.

8.2 CALCULATION OF MARGIN REQUIREMENT

8.2.1 The Margin Requirement for each Member will be the amount which LME Clear may determine and notify the Member from time to time.

8.2.2 The Margin Requirement for each Member will be calculated by LME Clear in accordance with methodology from time to time available on its Website and at such times as LME Clear may determine (whether at the regular times stated in the Clearing Procedures or otherwise). LME Clear may adopt different methodologies in respect of different Eligible Products and different Underlying Assets.

8.2.3 LME Clear shall notify each Member, at the times determined by LME Clear, of the amounts of Collateral required to be provided to LME Clear to satisfy its Margin Requirement.

8.2.4 Any Cash Collateral to be provided by a Member shall be provided to LME Clear in immediately available funds within the time limits set out in the Clearing Procedures.

8.2.5 Calculations made by LME Clear for the purposes of this Rule 8 may be made in the Base Currency using such notional currency conversion rates determined by LME Clear at the relevant time.

8.3 TYPES OF COLLATERAL

8.3.1 Collateral may be provided by a Member to LME Clear in the form of certain asset types and subject to eligibility criteria as set out in Part D of the Clearing Procedures and the Collateral Specifications, and on such terms as LME Clear may agree, provided that:

(a) the part of a Member's Collateral comprising Cash Collateral (excluding Cash Collateral provided through a Triparty Custody Arrangement) may not at any time fall below the minimum proportion and/or minimum amount set out in the Clearing Procedures; and

(b) the part of a Member's Collateral in any other form may not at any time exceed the maximum proportion and/or maximum amount for each category of Collateral as referred to in the Clearing Procedures or Annexes to the Clearing Procedures.

8.3.2 All Cash Cover provided by a Member shall be available to LME Clear freely to use and apply. Notwithstanding any other provision of any Member Documentation or Triparty Custody Documentation as applicable, the Member will have no proprietary interest in such cash which will constitute an unsecured debt (evidenced by the relevant Account(s) of the Member) payable by LME Clear to the Member in the amount(s) at the time(s) set out in the Member Documentation or Triparty Custody Documentation as applicable and subject to any deduction, set-off and other rights of LME Clear provided in the Member Documentation or Triparty Custody Documentation as applicable.

8.3.3 Subject to 8.3.3A below, LME Clear shall pay interest on Cash Collateral provided by a Member at such rate and at such times as LME Clear may from time to time specify (or, if such rate is a negative rate, LME Clear may charge the Member interest). Regardless of which Account in respect of which the relevant cash is recorded (including any Client Account) all interest will be credited or debited to the Member's House Account. LME Clear reserves the right not to pay interest if the amount of Eligible Cash does not exceed such threshold as it may select from time to time and not to pay interest on any amount of Cash Collateral which LME Clear determines is in excess of the amount of Collateral required by it from the Member under this Rule 8. LME Clear may pay interest at different rates upon different types of cash balance.

8.3.3A LME Clear shall not be required to pay interest on Cash Collateral that is transferred from a Member’s Triparty Collateral Custody Account to LME Clear’s Triparty Collateral Custody Account.

8.3.4 LME Clear shall levy accommodation charges in respect of non-cash Collateral held by LME Clear at such rates and at such times as LME Clear may from time to time specify. For the avoidance of doubt, LME Clear may also apply such accommodation charges to non-cash Collateral held by LME Clear within its LME Clear Triparty Collateral Custody Account.

8.4 TOP-UP COLLATERAL

8.4.1 If at any time the Collateral Value of Eligible Collateral provided by a Member, its Posting Affiliate or Posting Client is less than the Member’s Margin Requirement, the Member shall immediately on request by LME Clear deliver additional Collateral in order that such shortfall is eliminated.

8.5 SECURITY, MEMBER REPRESENTATIONS AND NEGATIVE PLEDGE

8.5.1 As collateral for the performance by a Member of all of its present and future obligations to LME Clear pursuant to the Rules and any other Member Documentation, or the operation of the Clearing System, the Member shall execute such Security Documents over all or part of its Collateral (as determined by LME Clear) and in such terms as set out in the Clearing Procedures. In the case of the Affiliate Posting Structure, as collateral for the performance by a Member of certain of its present and future obligations to LME Clear pursuant to that Member's House Account, an Affiliate shall execute such Affiliate Guarantee, Affiliate Security Documents over all or part of the LME Warrant Collateral (as determined by LME Clear) and Affiliate Tripartite Agreement and, in each case, in such terms as set out in the Clearing Procedures. In the case of the Client Direct Posting Structure, as collateral for the performance by a Member of certain of its present and future obligations to LME Clear pursuant to a Designated Client Account of a Posting Client, such Posting Client shall execute such Posting Client Security Documents over all or part of the LME Warrant Collateral (as determined by LME Clear) and Posting Client Tripartite Agreement and, in each case, in such terms as set out in Rules 8.10 and 8.11 below and the Clearing Procedures.

8.5.2 Each Member, Posting Affiliate and Posting Client represents and warrants to LME Clear as at each date on which such Member, Posting Affiliate or Posting Client provides Asset Cover to LME Clear under the Rules that:

(a) such Member, Posting Affiliate or Posting Client is the sole legal and beneficial owner of the Asset Cover at the time it is provided to LME Clear or, where the property comprising the Asset Cover has been made available to the Member by its own Client or other person, the property has been made available by way of title transfer or with a right of use so as to enable the Member to charge or transfer it as owner to LME Clear to collateralise the Member's obligations to LME Clear;

(b) all such Asset Cover is provided to LME Clear free and clear of any Security Interest, trust or third party rights save any subordinated or other Security Interest in favour of any person including a Client of the Member which LME Clear may have required or approved in advance (and, in respect of LME Warrant Collateral, LME Clear provides its approval for such purposes in relation to: (i) the rights and interests of the Depository, pursuant to the LMEsword Regulations, in respect of any Asset Cover; and (ii) any lien arising by operation of law or a right of retention in favour of a Warehouse in respect of unpaid rent and other charges owing to that Warehouse, in each case, relating to Underlying Metal to which an LME Warrant provided as Collateral relates); and

(c) the provision of such Asset Cover to LME Clear will not constitute or result in a breach of Applicable Law or any of trust, agreement or undertaking binding on the Member, Posting Affiliate or Posting Client or affect any such Asset Cover.

8.5.3 LME Clear shall be entitled to assume that all Asset Cover provided by a Member, Posting Affiliate or Posting Client to LME Clear under this Rule or under the terms of any agreement made with the Member, Posting Affiliate or Posting Client is in conformity with Rule 8.5.2.

8.5.4 None of a Member, a Posting Affiliate and a Posting Client shall, without the prior written consent of LME Clear:

(a) create, or agree or attempt to create, or permit to subsist, other than in favour of LME Clear, any Security Interest, trust or other interest over any Asset Cover provided to LME Clear under this Rule 8, or purport to do so (and, in respect of LME Warrant Collateral, LME Clear shall be deemed to have provided its prior written consent for such purposes in relation to: (i) the rights and interests of the Depository, pursuant to the LMEsword Regulations, in respect of any Asset Cover, and (ii) any

lien arising by operation of law or a right of retention in favour of a Warehouse in respect of unpaid rent and other charges owing to that Warehouse, in each case, relating to Underlying Metal to which an LME Warrant provided as Collateral relates);

(b) sell, assign, transfer or otherwise dispose all or any part of, or any interest in, any such Asset Cover, or purport to do so, or part with ownership of any of it; or

(c) take any step which would otherwise constitute or result in a breach of the representations and warranties contained in Rule 8.5.2.

8.5.5 All Asset Cover provided by a Member, Posting Affiliate or Posting Client shall be incapable of assignment or charge by the Member, the Posting Affiliate or the Posting Client or any other person (except LME Clear to the extent authorised by the Rules and/or to the extent LME Clear may have required or approved in advance). Any purported assignment or charge by a Member, a Posting Affiliate, a Posting Client or such other person (whether by way of security or otherwise) of any such Asset Cover in contravention of the foregoing sentence shall be of no effect.

8.5.6 "Asset Cover" when used in Rules 8.5.4 and 8.5.5 includes any obligation owed by LME Clear to the Member or any other person (a) in the case of cash, to pay a sum of money corresponding to such Asset Cover in the form of cash, and (b) in the case of Gold, to deliver unallocated Gold corresponding to such Asset Cover in the form of Gold.

8.6 USE OF ASSET COVER

8.6.1 LME Clear shall ensure that all Asset Cover provided to it by Members, any Posting Affiliate or any Posting Client is identifiable separately from LME Clear's own assets and those of any third party by whom they may be held.

8.6.2 Cash Cover may be partially or wholly invested by LME Clear in accordance with its investment policy as amended from time to time by LME Clear. To the extent not so invested, such cash funds shall be deposited by LME Clear as it considers appropriate (consistent with Applicable Clearing Regulations). For the avoidance of doubt, LME Clear shall not be required to invest Cash Cover Collateral that is held by it pursuant to a Triparty Custody Arrangement.

(a) Upon any such investment being made, there shall be no change to the entries in the relevant Member's Account.

(b) Members shall have no proprietary or other interest in any Investment Securities, which shall be owned by LME Clear.

(c) All income, profits, losses and risks associated with any Investment Securities shall be for the account of LME Clear, save to the extent losses and risks are shared with Members generally pursuant to the non-default loss procedure under Rule 10.14 (*Allocation of Non-Default Losses*).

8.6.3 Notwithstanding any provision of any Security Document, any Affiliate Security Document or any Posting Client Security Document which refers to any right of LME Clear to use any assets the subject of the Security Document, the Affiliate Security Document or the Posting Client Security Document, LME Clear shall have no right of use over any such asset.

8.7 WITHDRAWAL OF EXCESS OR INELIGIBLE COLLATERAL

8.7.1 If at any time the Collateral Value of a Member's Collateral (which includes Collateral provided by a Posting Affiliate or Posting Client of that Member) exceeds its then Margin

Requirement, LME Clear shall (upon request by the Member) return the Excess Collateral to the Member, Posting Affiliate or Posting Client that provided it in accordance with the Clearing Procedures provided any withdrawal would not result in a breach of the Rules including in relation to Collateral Limits. This Rule 8.7 shall not apply if Rule 8.8.1 has become applicable, nor shall it apply if a Default Event has occurred and is continuing in relation to the Member, and in any event shall be subject to the terms of any relevant Security Document, any relevant Affiliate Security Document or any relevant Posting Client Security Document. For the avoidance of doubt, no Posting Affiliate nor any Posting Client is permitted to request the return of Excess Collateral (and all such requests shall be made by the Member).

8.7.2 A Member may request that any Collateral which is not or has ceased to be Eligible Collateral be returned to it, the Posting Affiliate or the Posting Client that provided it in accordance with the Clearing Procedures, save that no such Collateral shall be returned unless the Member is in compliance with Rule 8.4, and nor shall this Rule 8.7.2 apply if a Default Event has occurred and is continuing in relation to the Member, and in any event shall be subject to the terms of any relevant Security Document, any relevant Affiliate Security Document or any relevant Posting Client Security Document. For the avoidance of doubt, no Posting Affiliate nor any Posting Client is permitted to request the return of Collateral which is not or has ceased to be Eligible Collateral (and all such requests shall be made by the Member).

8.8 RETURN OF COLLATERAL ON TERMINATION OF MEMBERSHIP

8.8.1 If a Member gives notice to LME Clear to terminate its Membership, the Member's Collateral and any Posting Affiliate's Collateral and any Posting Client's Collateral shall be returned to the Member, Posting Affiliate and Posting Client, as applicable, as soon as reasonably practicable (and within five (5) Business Days) after the Termination Date applicable to the Member, provided that in each case all amounts owing to LME Clear by the Member have been fully, finally and unconditionally paid or discharged to LME Clear prior to return, such Member has no remaining Open Contracts and no circumstances exist which might lead to further obligations or liabilities owed by the Member to LME Clear to arise.

8.8.2 Any obligation of a Member to LME Clear which is unpaid or un-discharged at the time it ceases to be a Member shall continue in force notwithstanding such termination and LME Clear may retain sufficient amounts of Collateral to collateralise or cover any remaining obligations of the Member (including any contingent or prospective obligations) and any obligation which may arise out of any disciplinary action.

8.9 RETURN OF COLLATERAL TO A DEFAULTING MEMBER

Upon LME Clear determining that, in relation to a Defaulting Member, the Default Procedures and the procedures set out in Rule 10 have been satisfied and that no debt or liability is due or capable of becoming due from the Defaulting Member to LME Clear, the Defaulting Member or its Posting Affiliate shall be entitled to the return of the Collateral (if any) which LME Clear at that time holds for the Defaulting Member or Posting Affiliate (including paying the Defaulting Member a sum equal to the Cash Collateral (if any) which at that time is (subject to, and following any debit carried out under, Rule 10.4.1(o)) recorded in an Account of the Defaulting Member), save that LME Clear may at any time after a Default Event has occurred return to the Defaulting Member any Collateral (including paying the Defaulting Member a sum equal to any Cash Collateral) which is recorded in any Client Account of the Defaulting Member. This Rule 8.9 is subject to any Applicable Law or any provision of the Member Documentation, Affiliate Posting Documentation or Client Direct Posting Documentation (or of any security agreement granted by the Defaulting Member to its Client(s)) which requires any such Collateral to be transferred or paid to any other person including pursuant to the Porting Process or Rule 10.5.1(c).

8.10 POSTING CLIENT UNDERTAKING AND REIMBURSEMENT

8.10.1 Subject to Rule 8.10.3 each Posting Client irrevocably and unconditionally undertakes to LME Clear that whenever its Member does not pay any amount when due to LME Clear in respect of the Designated Client Account under or in connection with the Rules, the Posting Client shall immediately on demand from LME Clear pay that amount to LME Clear as if it were the principal obligor.

8.10.2 Subject to Rule 8.10.3 each Posting Client irrevocably and unconditionally undertakes to LME Clear that, if LME Clear is required to make a payment to the relevant Member in accordance with Rule 8.11.1, the Posting Client shall immediately on demand pay that amount to LME Clear for that same amount as if it were the principal obligor.

8.10.3 The recourse of LME Clear under either of Rule 8.10.1 or Rule 8.10.2 is limited to an amount equal to the value of the LME Warrant Collateral to the extent transferred from time to time by the Posting Client to the LME Clear Pledged Account.

8.10.4 In relation to Rule 8.10.1 or 8.10.2, LME Clear shall promptly certify each amount payable by the Posting Client. The certificate of LME Clear under this Rule 8.10.4 shall be conclusive as to the sum payable by the Posting Client. LME Clear shall incur no liability whatsoever for any act or omission in determining the sum payable under this Rule 8.10.4 except to the extent arising from LME Clear's wilful default.

8.11 LME CLEAR UNDERTAKING RELATING TO THE CLIENT DIRECT POSTING STRUCTURE

8.11.1 Subject to Rule 8.11.2 LME Clear irrevocably and unconditionally undertakes to each Member that whenever its Posting Client does not pay any amount when due to the Member in respect of the Client Account operated by the Member on behalf of such Posting Client under or in connection with the Client Clearing Agreement, LME Clear shall immediately on demand from the Member pay that amount to the Member as if it were the principal obligor. Subject always to Rule 8.11.2, the Member may make more than one demand under this Rule 8.11.1.

8.11.2 The recourse of the Member under Rule 8.11.1 above is limited to the lower of:

(a) an amount equal to the value of the LME Warrant Collateral to the extent transferred from time to time by the Posting Client to the LME Clear Pledged Account; and

(b) the amount by which the Collateral Value exceeds the Member's Margin Requirement.

8.11.3 In relation to Rule 8.11.1, the Member shall promptly certify each amount payable by LME Clear. The certificate of the Member under this Rule 8.11.3 shall be conclusive as to the sum payable by LME Clear. The Member shall incur no liability whatsoever for any act or omission in determining the sum payable under this Rule 8.11.3 except to the extent arising from the Member's wilful default.

8.12 ADDITIONAL PROVISIONS RELATING TO THE UNDERTAKINGS RELATING TO THE CLIENT DIRECT POSTING STRUCTURE

8.12.1 The obligation of LME Clear under Rule 8.10.1 and 8.10.2 and the obligation of a Member under Rule 8.11.1 shall:

(a) constitute a separate and independent obligation from the other obligations in the Client Direct Posting Documentation;

(b) give rise to a separate and independent cause of action;

(c) apply irrespective of any indulgence granted by LME Clear or the Member, as applicable; and

(d) continue in full force and effect despite any judgment, order, claim or proof for a liquidated amount in respect of any sum due under any Client Direct Posting Documentation or any other judgment or order.

RULE 9 - DEFAULT FUND

9.1 DEFAULT FUND

9.1.0 LME Clear shall maintain separate Default Funds in respect of each Service, and this Rule 9 shall apply separately in respect of each such Service. Accordingly (a) the terms Default Fund and Default Fund Contribution shall be construed to apply to the Default Fund maintained in respect of the relevant Service, as the context requires; and (b) any reference to a Member shall be to a Member in the context of its participation in the relevant Service.

9.1.1 Each Member shall provide, and maintain on a daily basis for so long as it is a Member, a Default Fund Contribution in the amount specified by LME Clear from time to time. All Default Fund Contributions shall be made and maintained wholly in Eligible Cash in accordance with the Default Procedures and in the Eligible Currency set out in Annex 2 (*Eligible Currencies, Collateral and Haircuts*). It will be paid in immediately available funds within the time limits set out in such Procedure.

9.1.2 The initial amount of the Default Fund Contribution to be paid by an Applicant shall be determined by LME Clear subject to and in accordance with Default Procedure B, and shall be paid by the Applicant to LME Clear prior to submitting any Transactions to LME Clear.

9.1.3 The amount of the Default Fund Contribution to be provided by each Member shall be recalculated from time to time by LME Clear in accordance with such methodology as LME Clear shall set out in the Default Procedures.

9.1.4 LME Clear shall pay interest on the Default Fund Contribution provided by a Member at such rate and at such times as LME Clear may from time to time specify (or, if such rate is a negative rate, LME Clear may charge the Member interest). Such amount may be added to (or, if the rate of interest is negative, deducted from) the Member's Default Fund Contribution.

9.1.5 If at any time the amount of Default Fund Contributions provided by a Member exceeds the amount then required of it by LME Clear, the amount of such excess Default Fund Contribution will be repaid at the intervals from time to time specified in Default Procedure Part B, provided that:

(a) no security over such Default Fund Contributions granted by the Member to LME Clear is, or is likely to become, enforceable, and no Default Event has occurred and is continuing in relation to the Member;

(b) LME Clear is satisfied that, after such excess Default Fund Contribution is returned to the Member, there will continue to be sufficient Default Fund Contributions in order to continue to satisfy the Member's obligations under this Rule 9; and

(c) LME Clear may, if a Default Loss has arisen, retain such excess Default Fund Contribution to the extent and for as long as it believes that this may be required for use in replenishing the Member's Default Fund Contribution under Rule 10.10.1(e)(i).

9.1.6 If a Member gives notice to LME Clear to terminate its Membership for whatever reason, the Member's Default Fund Contribution, less any applications or deductions made as contemplated by Rule 9.1.9, shall be repaid on the Termination Date, as determined in accordance with Rule 3.6, 3.7, 3.8 or 3.11, as applicable.

9.1.7 The provisions of Rule 8.5 apply to Default Fund Contributions to the extent stated in the Rules.

9.1.8 Without prejudice to LME Clear's rights under Rule 9.1.9, no part of a Default Fund Contribution shall be treated as standing to the credit of any Client Account.

9.1.9 LME Clear shall be entitled to apply Default Fund Contributions for the purposes and in the manner and at the times provided for in Rule 10.10 and elsewhere in the Rules and Procedures.

9.1.10 Default Fund Contributions shall be "default fund contributions" for the purposes of Part VII of the Companies Act 1989.

RULE 10 - DEFAULT

10.1 APPLICABILITY

10.1.1 The provisions of this Rule 10 and the Default Procedures constitute the default rules of LME Clear for the purposes of Part VII of the Companies Act 1989, the Recognition Regulations, the Settlement Finality Regulations and EMIR.

10.1.2 LME Clear shall be entitled to take action under this Rule 10 with respect to a Member if LME Clear determines that a Default Event has occurred and is continuing in respect of the Member.

10.1.3 LME Clear has a discretion to determine whether any Default Event has occurred and, if so, what action to take under the Default Rules.

10.1.4 The exercise by LME Clear of its powers under this Rule 10 shall be subject to any directions given by the Regulator pursuant to section 166 of the Companies Act 1989 or other Applicable Clearing Regulations.

10.1.5 Where LME Clear determines that a Default Event has occurred with respect to a Member, such Default Event shall be treated as applying in respect of all Services in which the Member participates, and such Member shall be a Defaulting-Member in respect of all such Services.

10.2 DEFAULT EVENTS

A "**Default Event**" means the occurrence, in relation to a Member, of any of the following events:

(a) the Member fails to perform (or threatens not to perform, or appears to LME Clear unable, or likely to become unable, to perform) any obligation it owes to LME Clear including under any Member Documentation, Contract or Transfer Order;

(b) the Member is in material breach of the rules or terms of membership of any exchange, trading platform or clearing house (other than LME Clear), or has been declared a defaulter or is suspended or has been expelled from membership by any such exchange, trading platform or clearing house;

(c) the Member is in material breach of the requirements (whether or not having the force of law) of its regulator or of any other regulatory body or organisation (including, for the avoidance of doubt, the Regulator), or the authorisation of the Member by any such regulatory body or organisation, is suspended or withdrawn;

(d) any regulatory body takes or threatens to take action against or in respect of the Member under any law or regulation;

(e) LME Clear determines that the financial condition of the Member is such that, in the reasonable opinion of LME Clear the Member no longer satisfies the Membership Criteria or the continuing use of LME Clear by the Member would result in an increased level of risk or uncertainty for LME Clear and/or its other Members (in respect of the exposures of such other Members to the Clearing System);

(f) LME Clear has reasonable grounds to believe that the Member is in or is approaching significant financial or operational difficulty or otherwise will be unable to perform its obligations to LME Clear;

(g) LME Clear has reasonable grounds to believe that the Member has made any material misstatement to LME Clear, or has omitted to disclose to LME Clear any material fact in any statement made to LME Clear, or has been responsible for any fraudulent or dishonest conduct or any breach of fiduciary duty;

(h) circumstances have arisen which LME Clear has reasonable grounds to believe make it appropriate to suspend or terminate the Member's participation in order to avoid the risk of a failed or rejected delivery, or which could be prejudicial to LME Clear or represent a threat to the orderly operation, security, integrity or reputation of the Clearing System or which could lead to LME Clear becoming involved in legal proceedings with any third party;

(i) the Member is dissolved pursuant to a consolidation, amalgamation or merger (except on terms previously approved by LME Clear);

(j) the Member suspends or threatens to suspend, or ceases or threatens to cease, to carry on all or substantially all of its business;

(k) the Member repudiates or attempts to repudiate any Member Documentation, or contests the validity, perfection or priority of any Member Documentation;

(l) any regulation, order, judgment or proceeding shall purport to render any provision of any Member Documentation, invalid or unenforceable or shall purport to prevent or materially delay the performance or observance by the Member of its obligations in accordance with its terms;

(m) any provision of Member Documentation, is or ceases for any reason to be binding on or enforceable against the Member, or the Member shall so assert in writing;

(n) LME Clear has reasonable grounds to believe that there is a risk that the continuing participation of the Member could result in an obligation being incurred by it to LME Clear which the Member would be unable to settle when due;

(o) LME Clear has reasonable grounds to believe that the suspension or termination of the Member's Membership is necessary either for the protection of LME Clear or for any of the other Members or to ensure the orderly operation, security, integrity and/or reputation of the Clearing System;

(p) LME Clear has determined that suspension or termination of the Member's Membership is appropriate following a review of the suitability of the Member pursuant to Membership Procedure B7.2 or 7.3 (*Changes of Ownership*);

(q) the Member admits in writing its inability to pay any debt, or it appears to LME Clear that the Member is unable to pay its debts as they fall due or that the value of its assets is less than the amount of its liabilities, taking into account its contingent and prospective liabilities;

(r) the Member stops, or suspends, or threatens to stop or suspend, payment of all or any part of its indebtedness or commences negotiations with any one or more of its creditors with a view to the general readjustment or rescheduling of all or any part of its indebtedness or the making of a general assignment for the benefit of or composition with its creditors or if a moratorium is agreed, declared or otherwise obtained in respect of, or affecting, all or any part of its indebtedness;

(s) any distress, execution or other process is levied or enforced upon or against any property of the Member where the value of the property involved exceeds £500,000;

(t) an application is made to a court of competent jurisdiction, or an order is made by such court, for the purpose of: (i) declaring the Member to be bankrupt or insolvent; (ii) approving or granting a petition for a moratorium, reorganisation, arrangement (including pursuant to a scheme of arrangement), liquidation, dissolution, adjustment or composition of or in respect of the Member under any Applicable Law; (iii) appointing an administrator, assignee, custodian, examiner, liquidator, provisional liquidator, receiver, sequestrator, supervisor, nominee or trustee or other similar official in respect of the Member or any substantial part of its property, assets or undertaking; (iv) ordering the winding up, liquidation or bankruptcy of the Member; or (v) consenting to the institution by the Member or any person of proceedings for it to be adjudicated, bankrupt or insolvent or for it to be wound up or liquidated; provide that this paragraph (t) shall not apply to any winding up petition which LME Clear reasonably considers to be frivolous or vexatious;

(u) the Member takes any step or commences any proceedings, or consents to any application, for, or becomes subject to, the appointment of an administrator, assignee, custodian, examiner, liquidator, provisional liquidator, receiver, sequestrator, supervisor, nominee, trustee or other similar official in respect of the Member or any substantial part of its property, assets or undertaking;

(v) the Member, being a partnership, is dissolved, or being a registered company, is dissolved or suffers its name to be struck off the register of companies;

(w) anything occurs under the laws of any applicable jurisdiction which is analogous to or has a substantially similar effect to any of the events described in clause paragraphs (s) to (v) inclusive above in relation to the Member; or

(x) an event listed in paragraphs (s) to (v) inclusive (or an event which is analogous to or has a substantially similar effect to any of the events described in clause paragraphs (s) to (v) inclusive) occurs in relation to any Affiliate of the Member, where in the reasonable opinion of LME Clear such occurrence is reasonably likely to result in a Default Event occurring in relation to the Member.

10.3 DEFAULT NOTICE AND OTHER ACTION

10.3.1 The Member shall, immediately on becoming aware of the occurrence of any Default Event, give a Notice to LME Clear of such event. The Member will not (except with the prior consent of LME Clear which shall not be unreasonably withheld or delayed) take any steps which could result in any further Transactions being submitted to LME Clear.

10.3.2 If LME Clear considers that a Member will not be able to meet its future obligations to LME Clear, LME Clear shall inform the Bank of England to that effect before issuing a Default Notice.

10.3.3 LME Clear will, as soon as reasonably practicable after it has decided to exercise any of its powers under Rule 10.4.1 below in relation to a Member:

(a) issue a Default Notice in respect of such Member;

(b) publish on its Website its decision to issue such Default Notice;

(c) notify each Approved Transaction Platform (through which the Member trades) of its decision to issue a Default Notice and, in general terms, the action that has been or is expected to be taken by LME Clear under the Rules to settle all outstanding obligations involving the Defaulting Member and LME Clear;

(d) where such Member's obligations are subject to the Affiliate Posting Structure, notify the Posting Affiliate of its decision to issue a Default Notice;

(e) where such Member's obligations are subject to the Client Direct Posting Structure, notify the Posting Client of its decision to issue a Default Notice; and

(f) thereafter, notify such Member periodically of notices received from Clients requesting LME Clear to carry out a transfer pursuant to Rule 10.7.1;

10.3.4 A Member in respect of which a Default Notice has been issued is referred to in the Rules as a "**Defaulting Member**" and the expression "**Office-Holder**" has the meaning given to "relevant office holder" by section 189 of the Companies Act 1989. A reference to the Defaulting Member shall include (where the context permits) a reference to any Office-Holder appointed in relation to the Defaulting Member.

10.3.5 Without prejudice to the preceding provisions of this Rule 10, a Member shall notify LME Clear, the Regulator and (if different) the Member's regulator immediately of its passing of a creditors' voluntary winding up resolution, or a trust deed granted by it becoming a protected trust deed.

10.3.6 On LME Clear issuing a Default Notice, each non-defaulting Member shall co-operate with LME Clear and shall in particular (to the extent that it is reasonably able to do so):

(a) if requested by LME Clear, assist in effecting any closing out or transfer of an Open Contract pursuant to Rule 10.4.1; and

(b) comply with any reasonable directions of LME Clear,

where LME Clear considers that such requests or directions are reasonable or necessary in the interests of maintaining the integrity of the Clearing System or the stability of the financial system.

10.4 POWERS OF LME CLEAR AFTER A DEFAULT NOTICE

10.4.1 LME Clear may take any one or more of the following steps on or at any time or times after it becomes entitled to do so under Rule 10.1.2:

(a) Accept or decline to Accept a Transaction;

(b) cancel or reverse any outstanding instruction for a Settlement Payment or delivery of any Underlying Asset to or for the benefit of the Defaulting Member;

(c) close out or otherwise discharge all or any rights, obligations and positions of the Defaulting Member then outstanding with respect to Open Contracts and all or any rights, obligations and positions of the Defaulting Member arising out of the exercise by LME Clear of all or any of its other powers under the Rules (including closing out by netting of any Open Contracts within an Account of the Defaulting Member, where possible, to remove the Positions represented by such Open Contracts from those to be otherwise dealt with under this Rule 10);

(d) enforce and/or otherwise exercise all or any rights, powers and discretions conferred on LME Clear by the Security Documents, the Affiliate Security Documents or the Posting Client Security Documents;

(e) realise all or any of the Member's Collateral, any Posting Affiliate's Collateral or any Posting Client's Collateral (following the Porting Election Period and to the extent such Posting Client's Collateral is not transferred in accordance with Rule 10.7) whether by private sale or otherwise for the account of the Defaulting Member, its Posting Affiliate or its Posting Client without being obliged to obtain the Defaulting Member's, Posting Affiliate's or Posting Client's consent or any order of a court of law, and to appoint any person to execute any document for such purpose in the name and on behalf of the Defaulting Member, its Posting Affiliate or its Posting Client;

(f) subject to, and in accordance with Rule 10.7 (*Portability of Client Accounts*) and Default Procedure D (*Porting Procedure*), transfer an Open Contract of the Defaulting Member to the account of another Member, or terminate and close out such Contact and re-establish a Contract on the same terms with another Member, being in each case a Member entitled and willing to have such position transferred to it;

(g) subject to, and in accordance with Rule 10.7 (*Portability of Client Accounts*) and Default Procedure D (*Porting Procedure*), transfer to the Member to which an Open Contract is transferred (or with which the replacement Contract is re-established) under Rule 10.4.1(f) above, such Collateral held as collateral for the Defaulting Member's obligations to LME Clear on that account to cover the risks associated with the Open Contract that has been so transferred;

(h) transfer an Open Contract of another Member with its agreement to the Defaulting Member for the purposes of closing out an Open Contract in the name of the Defaulting Member or for any other reason which LME Clear considers appropriate in the circumstances, without requiring the consent of any relevant Approved Transaction Platform;

(i) make or cause to be made contracts for the purpose of hedging the risks to which LME Clear is exposed under Open Contracts with the Defaulting Member (whether such contracts are made through an Approved Transaction Platform, off market or otherwise), and (i) to record the same as Contracts in the Defaulting Member's name under the Rules or (ii) to allocate the costs of and/or the proceeds or losses under any contracts for the purpose of hedging to the relevant Account of the Defaulting Member that corresponds to the hedged Open Contracts;

(j) exercise on behalf of the Defaulting Member (if LME Clear chooses) any option granted by an Open Contract, notwithstanding that such exercise may take place on a day which is not a day prescribed for such exercise by rules of any relevant Approved Transaction Platform;

(k) to take such steps as may be available to LME Clear in the circumstances known to it to preserve as far as appropriate the position (including preservation of the Positions and Collateral) of any Client or Indirect Client of the Defaulting Member allocated to a Client Account, including the crediting or debiting of accounts, entry into new Contracts, transfer of existing Contracts, reversal of Contracts, or termination, close-out and re-establishment of Contracts (save that LME Clear may not, pursuant to this Rule 10.4.1(k), transfer to any non-defaulting Member any Contracts, or otherwise vary any rights or obligations of a non-defaulting

Member without that non-defaulting Member's consent, subject that this shall be without prejudice to LME Clear's powers under Rules 10.4.1, 10.4.2, 10.7 and 10.10);

(l) conduct an auction of Open Contracts to which the Defaulting Member is a party in such Auction Portfolios and at such time or times as LME Clear may determine and invite non-defaulting Members to submit bids for such portfolios in accordance with the auction principles and process provided for in the Default Procedures;

(m) designate a currency as a currency of account and, at the Defaulting Member's expense, convert any sum payable by or to the Defaulting Member in another currency into the currency of account;

(n) without prejudice to any other right of LME Clear under the Rules and subject to Applicable Clearing Regulations, take such other action with regard to any Open Contract to which the Defaulting Member is a party as LME Clear may deem necessary or expedient to effect an orderly discharge of the Defaulting Member's obligations and/or for the protection of LME Clear or other Members and any such action may be taken in the name and at the expense of the Defaulting Member (save that LME Clear may not, pursuant to this Rule 10.4.1(n), transfer to any non-defaulting Member any Contracts, or otherwise vary any rights or obligations of a non-defaulting Member without that non-defaulting Member's consent, subject that this shall be without prejudice to LME Clear's powers under Rules 10.4.2, 10.7 and 10.10);

(o) subject to the segregation provisions in Rule 4.3 (*Account Segregation*), debit any Account of the Member (including any such Account in which Cash Collateral is recorded) with any amount owed by the Defaulting Member to LME Clear including, to the extent permitted by Applicable Clearing Regulations, debiting the Defaulting Member's House Account with all amounts owing in respect of Fees and any expenses incurred by LME Clear with regard to or in consequence of the circumstances referred to in Rule 10.2 or the steps which are or may be taken under this Rule 10.4.1 or the Default Procedures (as the case may be);

(p) any other step considered to be necessary or expedient by LME Clear to complete the process set out in Rule 10.7 or the Default Procedures;

(q) appoint any person as its agent for the purpose of hedging, financing, selling or otherwise disposing of any Collateral of the Defaulting Member, its Posting Affiliate or its Posting Client at any time after the powers conferred by this Rule 10.4 have become exercisable;

(r) (subject always to Rule 10.4.7) cash settle any Delivery Obligation or LME Premium Warrant Payment Obligation that LME Clear may owe to a non-defaulting Member in circumstances where the failure by the Defaulting Member to discharge a Delivery Obligation or LME Premium Warrant Payment Obligation to LME Clear results in LME Clear being unable to deliver the relevant Underlying Asset to the non-defaulting Member;

(s) obtain (at the expense of the Defaulting Member) such advice or assistance, including legal advice, as LME Clear may deem necessary with respect to any matter arising out of the occurrence of any event referred to in Rule 10.2;

(t) take such steps as LME Clear considers necessary or appropriate to delay any physical delivery of an Underlying Asset where LME Clear has a Delivery Obligation under an Open Contract with the Defaulting Member; and/or

(u) (i) issue instructions within LMEsword for the settlement of any Contract under which:

(1) an LME Warrant is due to be delivered to LME Clear;

(2) the Defaulting Member has, prior to its becoming a Defaulting Member, issued an "Authorised Warrant Transfer Instruction" in respect of such LME Warrant, in accordance with Clearing Procedure F; and

(3) such LME Warrant has not yet been delivered to LME Clear; and

(ii) perform any actions necessary to facilitate such settlement (including any actions specified under Clearing Procedure F2.17);

(v) where the Defaulting Member has a Give-Up Contract allocated to an Administrative Account:

(i) allow a Give-Up Acceptance to be Accepted from a non-defaulting Member acting as the Accepting Member in respect of the Give-Up; and

(ii) upon Acceptance of such Give-Up Acceptance, cancel the Give-Up Contract allocated to the Defaulting Member's Administrative Account; and

(w) in circumstances where LME Clear has a Delivery Obligation to a non-defaulting Member in respect of an Underlying Asset that LME Clear considers will or will likely be adversely affected by the failure by the Defaulting Member to perform its own Delivery Obligation to LME Clear in respect of the same Underlying Asset:

(i) (subject always to Rule 10.4.7) effect an Invoice Back in accordance with Rule 7.8; and/or

(ii)_ either:

(1) request that the Approved Transaction Platform take such steps as may be available under the rules of that platform; or

(2) take such other steps as LME Clear considers necessary or appropriate,

to delay any physical delivery of an Underlying Asset where LME Clear has a Delivery Obligation under an Open Contract with a non-defaulting Member; and/or

(x) to the extent not otherwise specified in this Rule 10.4.1 above, take any other step or apply any other process required or permitted pursuant to the Default Procedures.

The powers exercisable under this Rule 10.4.1 shall be applied in respect of the Defaulting Member and shall not be construed so as to enable LME Clear to take action in respect of any non-defaulting Member, unless and except to the extent, specifically stated in the relevant paragraph of this Rule 10.4.1.

10.4.2 Where LME Clear exercises its rights under Rule 10.4.1, and subject to Rule 10.5:

(a) LME Clear may take such action as it may determine to be necessary or expedient, subject to Applicable Clearing Regulations, to close out or otherwise discharge and/or net the rights, obligations and positions of the Defaulting Member referred to in Rule 10.4.1(c), including by:

(i) buying in or selling out the Underlying Asset deliverable by or to the Defaulting Member or (if LME Clear considers this impractical or inexpedient) to effect a cash settlement of an Open Contract and/or taking such other action as LME Clear may determine to be necessary or expedient to close out the Delivery Obligations or Payment Obligations (including, without limitation, any LME Premium Warrant Payment Obligation) and Failed Settlement Positions of the Defaulting Member; and/or

(ii) effecting corresponding contracts in relation to Open Contracts to which the Defaulting Member is a party;

(b) LME Clear may take such action notwithstanding the fact that the Contracts concerned have different scheduled Settlement Dates;

(c) LME Clear may bring into account for the purpose of such close out, discharge and/or netting all liabilities incurred by LME Clear in consequence of exercising its powers under the Default Rules (for which the Defaulting Member shall be liable to indemnify LME Clear), including all reasonable expenses of responding to the default and enforcing its rights hereunder;

(d) LME Clear may collect and retain or bring into account for the purpose of such close out, discharge and/or netting, all dividends, interest and other income receivable under any Collateral provided by the Defaulting Member;

(e) amounts payable by or to a Defaulting Member on such close out, discharge, cash settlement and/or netting of its rights, obligations or positions shall be determined by LME Clear (whose determination will be conclusive); and

(f) LME Clear may take such action as it may determine to be necessary in order to delay any physical delivery of an Underlying Asset that may be required pursuant to a Delivery Obligation of LME Clear under an Open Contract, including by:

(i) effecting a corresponding contract with the Defaulting Member that has the same Settlement Date as the Open Contract (such that the Defaulting Member has a Delivery Obligation corresponding to the Delivery Obligation of LME Clear under the Open Contract); and

(ii) effecting another Contract between the Defaulting Member and LME Clear that is identical to the original Open Contract except that the Settlement Date under which LME Clear shall be required to perform the Delivery Obligation shall be scheduled for a later date.

For the purposes of this Rule 10.4.2, a "**corresponding contract**" means a contract on the same terms (except as to price, premium or date of performance) as the Contract to which the Defaulting Member is a party but under which the person who is the Buyer under the Contract agrees to sell and the person who is the Seller under the Contract agrees to buy.

10.4.3 If a Defaulting Member has an open Position for the purchase of an Underlying Asset and the same or another Defaulting Member has an open Position for the sale of the

same Underlying Asset, then LME Clear may, if it chooses and subject to any requirements of Applicable Clearing Regulations, close out or hedge such Positions wholly or partly by effecting (i) a sale under which the Defaulting Member acting as Buyer agrees to sell to LME Clear at Market Value all or such part of the relevant Underlying Asset as LME Clear may select and (ii) a simultaneous purchase under which the Defaulting Member acting as Seller agrees to buy from LME Clear at Market Value a corresponding amount of the same Underlying Asset. This power may be exercised in respect of open Positions on different Accounts where the same Defaulting Member is involved in both transactions.

10.4.4 To the extent that the ability of LME Clear to perform its obligations to deliver Underlying Assets to any Member other than a Defaulting Member is adversely affected by the operation of the procedures set out in Rule 10.4.1 to 10.4.3, LME Clear may take such action as it considers appropriate and reasonable in the circumstances known to it to protect its position.

10.4.5 The procedure applicable under Rules 10.4.2 and 10.4.3 shall be completed by LME Clear as promptly as practicable after LME Clear has served a Default Notice. However, if it appears appropriate to LME Clear in the circumstances known to it, LME Clear may exercise the procedure in such stages and at such times as LME Clear considers best calculated to minimise any Loss to the Members of LME Clear and to avoid the creation of a disorderly market in any Underlying Asset that could otherwise arise from such close-out procedure.

10.4.6 When taking action under this Rule 10.4, LME Clear will ensure that such action does not adversely affect in any material way any Client's ability to effect a Transfer in respect of any Client Account in accordance with Rule 10.7 (*Portability of Client Accounts*).

10.4.7 LME Clear may not exercise any of its powers under Rule 10.4 to cash settle or Invoice Back any Contract with a non-defaulting Member unless and except to the extent explicitly specified in this Rule 10.4. Prior to exercising any power to cash settle or Invoice Back any Contract with a non-defaulting Member, LME Clear shall first consult with the EMIR Risk Committee and obtain the approval of the Board. For the avoidance of doubt, but without prejudice to the specific wording in any Rule, in the event that LME Clear exercises any right under this Rule 10 to cash settle or invoice back any Contract with a non-defaulting Member, the price for such cash settlement or Invoice Back shall be determined at the Closing Price for such Open Contracts as applies on the relevant Business Day or, if such Closing Price is not available, the price shall be such price as the Board determines is reasonably appropriate in the circumstances in consultation with the EMIR Risk Committee.

10.4.8 The Defaulting Member shall indemnify LME Clear in respect of all costs incurred by LME Clear in implementing its powers pursuant to this Rule 10 in relation to any Account(s) of the Defaulting Member (including any expenses, hedging costs, staff costs and legal fees), such costs being for the account of the Defaulting Member, and allocable to the Account in respect of which such costs are incurred.

10.4.9 Any amount that is to be brought into account as a sum payable under Rule 10.6.1, 10.6.4 or 10.8.1:

(a) shall be an amount that is due and payable under these Rules, and shall, if it is not already due, become immediately due from the time of occurrence of a Default Event or (where such amount is incurred subsequent to the occurrence of the Default Event) from the time the relevant party incurs the relevant cost that corresponds to such amount; and

(b) subject that any amount so payable shall be subject to the application of the netting provisions in Rules 10.6 and 10.8 and any liability of LME Clear to make any such payment to the Defaulting Member shall be subject to such netting provisions and the satisfaction of the requirements in Rule 10.9.

10.5 TREATMENT OF DIFFERENT TYPES OF ACCOUNT

10.5.1 Where the Defaulting Member has one or more Client Accounts and one or more House Accounts with LME Clear, the process set out in Rule 10.6 will be separately completed in respect of each such House Account and the process set out in Rule 10.8 will be separately completed in respect of each such Client Account. Each sum finally payable shall be separately certified under Rule 10.9.1. For this purpose:

(a) an Account which is a House Account may be combined for the purpose of such process with another House Account of the same Defaulting Member;

(b) no Omnibus Segregated Client Account or Individual Segregated Client Account may be combined with any other Account of the Defaulting Member with LME Clear except to the extent permitted by Applicable Clearing Regulations;

(c) LME Clear will as soon as practicable deliver any surplus amount or Collateral owing to the Defaulting Member, or in the case of the Client Direct Posting Structure, to the Posting Client, in respect of an Individual Segregated Client Account or an Omnibus Segregated Client Account (after completion of final net settlement under Rule 10.8 and satisfaction of the Default Rules and Default Procedures) to the Client to which such Individual Segregated Client Account relates or to the Clients entitled to share in such Omnibus Segregated Client Account (as the case may be) or, if such Clients are not known to LME Clear or if it has insufficient information to determine how an amount is to be apportioned between them or to permit it to make a payment, to the Defaulting Member for the account of the relevant Client or Clients save that LME Clear shall only return any surplus amount or Collateral to a Client under this paragraph (c) if it is permissible under Applicable Law and LME Clear is not prevented from effecting such return by any court order or legal restriction applying to LME Clear, the amount or the Collateral, or by any claim or right of the Defaulting Member or any other person which may take precedence during any insolvency procedure affecting the Defaulting Member;

Proviso: LME Clear shall not return any such surplus amount or Collateral to a Client where any condition or requirement that reflects a condition or requirement to such return under Article 48(7) of the EMIR Level 1 Regulation is not satisfied;

(d) LME Clear may (to the extent permitted by Applicable Clearing Regulations) allocate all or any part of a positive net balance on a House Account of a Defaulting Member (including any surplus of Collateral provided by the Defaulting Member or its Posting Affiliate in respect of the House Account) to meet a deficiency on one or more Client Accounts of the Defaulting Member (but not vice versa);

(e) LME Clear shall allocate the Defaulting Member's Default Fund Contribution in or towards the discharge of Default Loss on a Client Account and a House Account on such basis as it deems appropriate; and

(f) LME Clear shall deliver any surplus amount of Default Fund Contribution to the Defaulting Member after: (i) the application of such Default Fund Contribution in accordance with this Rule 10; (ii) the completion of the final net settlement under

Rule 10.6; and (iii) satisfaction of the Default Rules and Default Procedures, subject to and in accordance with Rule 10.9.

10.6 FINAL NET SETTLEMENT ON HOUSE ACCOUNT

10.6.1 For the purpose of discharging the Defaulting Member's rights and liabilities under or in respect of all Contracts to which it is party and which are recorded on its House Account(s), LME Clear shall:

(a) bring into account:

(i) all sums payable by or to the Defaulting Member in respect of such Contracts;

(ii) (to the extent permitted by the Default Requirements) all other sums payable by or to the Defaulting Member under the Rules (otherwise than on Client Account); and

(iii) all costs incurred by LME Clear in implementing its powers pursuant to this Rule 10 in relation to any Account(s) of the Defaulting Member (including any expenses, hedging costs, staff costs and legal fees), such costs being for the account of the Defaulting Member;

(b) the sums so payable shall be aggregated or set off so as to produce a net sum; and

(c) if payable by the Defaulting Member to LME Clear, such net sum shall be set off against:

(i) any sum due by LME Clear to the Defaulting Member and/or any Collateral (following enforcement and liquidation if necessary pursuant to the terms of the relevant Security Document or of the relevant Affiliate Security Document) provided by or on behalf of the Defaulting Member; and

Defaulting Member in respect of its House Account(s);

(ii) such amount (if any) of the outstanding Default Fund Contribution of the Defaulting Member as LME Clear may determine under Rule 10.5.1(d) (after the application of such Default Fund Contribution for any other purpose permitted under the Rules),

(or, in either case, the proceeds of realisation of such amounts) so as to produce a further net sum; or

(d) if payable by LME Clear to the Defaulting Member such net sum on its House Account(s) shall be aggregated with the amounts referred to in paragraph (c)(i) and (ii) (or the proceeds of realisation of such amounts), or shall be set off against any other sum payable by the Defaulting Member to LME Clear (otherwise than on Client Account) as LME Clear may select so as to produce a further net sum.

10.6.2 For the purposes of this Rule, LME Clear may assess the sum payable by or to the Defaulting Member in respect of any breach of the Rules in such reasonable manner as it thinks fit.

10.6.3 Where the net sum determined under Rule 10.6.1 above is payable to the Defaulting Member, the amount payable shall be subject to the further application of Rule 10.8.1(c)(ii) (*Final Net Settlement of Unported Client Accounts*) and Rule 10.6.4 below.

10.6.3A The process in Rule 10.6.1 to 10.6.3 shall be applied separately in respect of each Service, such that a separate net sum shall be calculated for the House Account in respect of each Service, subject that:

(a) this shall be without prejudice to LME Clear's rights pursuant to Rule 10.5.1(d); and

(b) where the net sum for the House Account for one Service indicates a positive balance, such that an amount may be due to the Defaulting Member, and the net sum for the House Account for another Service indicates a negative balance, such that an amount may be payable to LME Clear, LME Clear may set-off such positive and negative amounts in order to reduce the negative balance, and the net sums for each House Account shall be adjusted accordingly;

(c) LME Clear shall apportion the relevant costs in accordance with Rule 10.6.1(a)(iii) between the respective net sum calculations for the House Account in respect of each Service in such manner as LME Clear shall determine in its sole discretion.

Counterparty Losses

10.6.4 In the event that the Defaulting Member is also a Treasury Counterparty and LME Clear has incurred Counterparty Losses pursuant to the default of such Treasury Counterparty, and where LME Clear has:

(a) completed the application of its powers under Rule 10.4 (*Powers of LME Clear after a Default Notice*) and Rule 10.10.1 (*Default Waterfall and Allocation of any Excess Loss – During the Default Period*);

(b) calculated the net sum payable under Rule 10.6.1 above; and

(c) (where applicable) deducted from such net sum any amount set off in accordance with Rule 10.8.1(c)(ii),

then, in the event that (after the application of (a) to (c) above) there remains a positive net balance on any House Account of the Defaulting Member:

(d) LME Clear may elect to set such positive net balance off against any such Counterparty Losses, ***provided that*** the maximum amount of such Counterparty Losses that may be so set off shall be limited to the amount of the remaining positive net balance on the House Account. For the avoidance of doubt, LME Clear shall not apply its rights of set off under this Rule 10.6.4 so as to cause the House Account to have a negative net balance; and

(e) in the event that LME Clear exercises its rights under this Rule 10.6.4, the final net sum certified by LME Clear in respect of the Defaulting Member's House Account, pursuant to Rule 10.9 below shall be the sum resulting from the application of (d) above.

10.7 PORTABILITY OF CLIENT ACCOUNTS

10.7.1 Where assets and positions are recorded on an Individual Segregated Client Account or an Omnibus Segregated Client Account of a Defaulting Member, LME Clear shall, during the Porting Period, apply the provisions of this Rule 10.7 and Default Procedure D, with

the objective of transferring the assets and Positions recorded to such Client Account from the relevant Individual Segregated Client Account or the Omnibus Segregated Client Account with the Defaulting Member (the "**Member Transferor**") to a new Client Account of a non-defaulting Member (the "**Member Transferee**") that:

(a) (in the case of a Client Account to which the Automatic Porting Process applies) has been identified in the Automatic Porting Designation Documents lodged in respect of the Client or Clients allocated to such Client Account; or

(b) (in the case of any other Client Account) has agreed to accept such assets and Positions and that has been identified in a Porting Request Notice issued to LME Clear by such Client or Clients in accordance with the requirements set out in Default Procedure D,

(each such transfer being a "**Transfer**").

10.7.2 Where the Automatic Porting Process applies to a Client Account, the Automatic Porting Designation Documents lodged by a Member in respect of a Client (or any Indirect Client) shall constitute a request by such Clients (for themselves and in respect of any Indirect Clients) to LME Clear to execute a Transfer to any Member Transferee specified in the Automatic Porting Designation Documents in the event that the Member becomes a Defaulting Member.

10.7.3 Where the Automatic Porting Process does not apply to a Client Account, LME Clear must be in receipt of a validly executed Porting Request Notice from each Client allocated to that Client Account in order for LME Clear to apply the Porting Process.

10.7.4 If the relevant Client Account of a Defaulting Member records the assets and/or positions of two or more Clients, any Transfer shall be:

(a) requested and exercised jointly in respect of all such Clients; and

(b) to the same Member Transferee,

unless LME Clear agrees otherwise.

10.7.5 LME Clear shall seek to transfer the assets and Positions (which shall include the Contracts and Collateral, including, where applicable, any LME Warrant Collateral posted by a Posting Client pursuant to the Client Direct Posting Structure) allocated to a Client Account of a Defaulting Member only if:

(a) in the case of a Client Account to which the Automatic Porting Process applies:

(i) the Automatic Porting Designation Documents held by LME Clear in respect of such Client Account identify a potential Member Transferee that has been designated by all Clients allocated to such Client Account as a Designated Member Transferee;

(ii) such Member Transferee is a non-defaulting Member which has agreed in writing to accept such Transfer within the Porting Election Period; and

(iii) the requirements set out in Default Procedure D2.2 are satisfied;

(b) in the case of a Client Account to which the Automatic Porting Process does not apply:

(i) LME Clear must have received, within the Porting Election Period, in respect of each Client allocated to the Client Account, a Porting Request Notice that has been:

(1) validly made under Rule 10.7.1 and Rule 10.7.3; and

(2) duly completed by the Member Transferee and each such Client allocated to the Client Account;

(subject that separate Porting Request Notices may be submitted by each Client, provided that each Porting Request Notice is accepted by the same Member Transferee);

(ii) the requirements set out in Default Procedure D2.3 are satisfied;

(c) LME Clear has the information required to enable it to calculate the amounts to be transferred and is satisfied as to its accuracy, whether provided by the Defaulting Member or the relevant Client or otherwise; and

(d) LME Clear is satisfied that sufficient additional Collateral (if any) will, on the transfer being effected or, if necessary, in advance, be provided to it by the Member Transferee in accordance with the Rules including, without limitation, as a result of the operation of Rule 10.7.11 below;

(e) LME Clear is satisfied that all Clients allocated to the Client Account are Identified Clients; and

(f) such transfer is permissible under Applicable Law and LME Clear is not prevented from effecting such transfer by any court order or legal restriction applying to LME Clear, the Collateral or the Open Contracts, or by any claim or right of the Member Transferor or any other person which may take precedence during any insolvency procedure affecting the Member Transferor.

The transfer of assets (including Collateral) pursuant to this Rule 10.7.5 is subject to Rule 10.7.10.

10.7.6 Partial Porting

(a) Notwithstanding any other provision set out in Rule 5 (*Client Business and Portability Arrangements*), this Rule 10.7 and Default Procedure D (*Porting Procedure*), LME Clear may effect a Transfer of the Positions relating to some but not all of the Open Contracts recorded to an Omnibus Segregated Client Account of a Defaulting Member (a "**Partial Transfer"**) in accordance with the provisions of this Rule 10.7.6.

(b) If at any time during a Default Period LME Clear determines, in its absolute discretion and in consultation with the Default Management Committee, that it is unlikely that the condition set out in Rule 10.7.3 will be satisfied with respect to one or more Omnibus Segregated Client Accounts to which the Automatic Porting Process does not apply (each a "**Relevant Account"**), LME Clear may decide to facilitate Partial Transfers out of the Relevant Accounts. In such circumstances LME Clear shall, in consultation with the Default Management Committee, designate one or more indicative Partial Transfer Windows. When determining the duration and aggregate number of Partial Transfer Windows, LME Clear shall, in its sole discretion, seek to identify the most favourable risk management solution, having regard to:

(i) the number of Clients allocated to the Relevant Accounts;

(ii) the number, size and Market Value of the Open Contracts allocated to the Relevant Accounts; and

(iii) the direction, size of the Position and overall risk profile of each Relevant Account.

(c) LME Clear shall, as soon as practicable after determination, publish such indicative Partial Transfer Windows on its Website. Throughout the Default Period LME Clear shall have the right, having as its primary objective effective risk management, to vary the number and/or duration of the Partial Transfer Windows without prior notification. LME Clear shall publish on its Website any decision to shorten any previously publicised Partial Transfer Window as soon as practicable following the implementation of such decision.

(d) At the end of each Partial Transfer Window LME Clear shall, in respect of each Relevant Account, consider all Porting Request Notices received from one or more Clients allocated to the Relevant Account (each a "**Requesting Client"**) during or prior to that Partial Transfer Window, together with any Porting Request Notices received but not actioned in prior Partial Transfer Windows. LME Clear will, subject to the proviso below, transfer from the Relevant Account the Open Contracts (but not the Collateral) of all Requesting Clients to the Member Transferee(s) nominated in the relevant Porting Request Notices if:

(i) by effecting such Partial Transfers, the risk to LME Clear would not significantly increase taking into account:

1. any increase or decrease in the Margin Requirement that would apply to the Relevant Account going forward; and

2. if applicable to the Relevant Account, any increase or decrease in any contingent margin credit that would offset the Margin Requirements of that Relevant Account going forward;

(ii) LME Clear is satisfied that sufficient additional Collateral (if any) will, on the transfer being effected or, if necessary, in advance, be provided to it by the Member Transferee in accordance with the Rules including, without limitation, due to the operation of Rule 10.7.11 below;

(iii) LME Clear has the information required to enable it to calculate the amounts to be transferred (including, for the avoidance of doubt, contingent margin credits) and is satisfied as to its accuracy, whether provided by the Defaulting Member or the relevant Requesting Clients or otherwise;

(iv) the requirements set out in Default Procedure D2.4 are satisfied;

(v) LME Clear is satisfied that all Requesting Clients allocated to the Relevant Account are Identified Clients;

(vi) it is practicable to determine the specific Positions allocable to each Requesting Client; and

(vii) such Partial Transfers are permissible under Applicable Law and LME Clear is not prevented from effecting such Partial Transfers by any court order or legal restriction applying to LME Clear or the Open Contracts, or by any claim or right of the Member Transferor or any other person which may take precedence during any insolvency procedure affecting the Member Transferor.

Proviso: Nothing in this Rule 10.7.6(d) shall oblige LME Clear to effect a Partial Transfer which either: (x) if effected would change the direction and/or size of the Positions of the Open Contracts remaining in the Relevant Account; or (y) LME Clear considers inappropriate having as its primary objective effective risk management.

(e) If LME Clear is unable at the end of any Partial Transfer Window to effect Partial Transfers of all Requesting Clients in accordance with Rule 10.7.6(d) above, LME Clear shall effect as many Partial Transfers as it considers appropriate having as its primary objective effective risk management but also having regard to porting the largest number of Requesting Clients and/or the largest number and greatest size and Market Value of Open Contracts. Where LME Clear is considering a Partial Transfer which, if effected, would prevent it from effecting Partial Transfers for one or more other Requesting Clients with similar positions that would satisfy the requirements for a Partial Transfer on their own merits but not together, LME Clear shall draw lots to decide which Partial Transfer to effect at such time.

(f) Notwithstanding any other provision in this Rule 10.7.6, LME Clear may effect a Partial Transfer in respect of a Requesting Client prior to the expiry of a Partial Transfer Window if:

(i) the conditions set out in Rule 10.7.6(d) are otherwise satisfied; and

(ii) LME Clear determines in consultation with the Default Management Committee that by effecting such Partial Transfer earlier than would otherwise be permitted pursuant to the terms of Rule 10.7.6(d) it would, in LME Clear's sole discretion, either:

1. significantly decrease the risk to LME Clear; and/or

2. enable LME Clear to process a greater number of Partial Transfers than would otherwise be possible if it did not accelerate the implementation of such Partial Transfer.

(g) References in this Rule 10.7.6 to LME Clear either practising or having regard to "effective risk management" shall be taken to mean that LME Clear, when taking default action, will always seek to protect: (i) its capital and the Default Fund; and (ii) the integrity of the markets which it clears.

10.7.7 LME Clear may decline to effect a Transfer in respect of any Individual Segregated Client Account or Omnibus Segregated Client Account:

(a) if any of the conditions set out in Rule 10.7.5 or, if applicable, 10.7.6 are not satisfied in relation to the Individual Segregated Client Account or Omnibus Segregated Client Account; or

(b) if LME Clear has reason to believe that the taking of any action under this Rule 10.7 in relation to the Individual Segregated Client Account or Omnibus

Segregated Client Account would be contrary to Applicable Clearing Regulations, or impair its own ability to perform its obligations as they fall due.

10.7.8 Notwithstanding Rule 5.1.7, 5.1.8,10.7.5(e) and 10.7.6(d)(v), LME Clear shall effect a Transfer pursuant to a Porting Request Notice issued in respect of a Client Account to which Non-Identified Clients are allocated where all such Non-Identified Clients have provided to LME Clear such information as LME Clear reasonably considers to be appropriate and sufficient regarding their identities, the details of their representatives that are authorised to provide instructions on their behalf and the Transactions that have been registered on their behalf. Any such Client shall be treated as an Identified Client from the time that LME Clear considers that it has appropriate and sufficient information in accordance with this Rule 10.7.8.

10.7.9 Notwithstanding any other provision set out in Rule 5 (*Client Business and Portability Arrangements*), this Rule 10.7 and Default Procedure D (*Porting Procedure*), but subject to the proviso below, LME Clear may permit a Transfer pursuant to a Porting Request Notice issued in respect of a Client Account where any condition or requirement specified in such Rules or Procedures is not satisfied (including, for the avoidance of doubt, where the Porting Election Period has expired) where LME Clear considers that it is appropriate, in the interests of (i) the Clients; (ii) the Clearing System; (iii) the stability of the markets in which the Member's or Clients participate; or (iv) the stability of the wider financial system in the United Kingdom, that such Transfer shall take place.

Proviso: Where and to the extent that a Transfer falls within the meaning of, and is subject to, Article 48(5) or (6) of the EMIR Level 1 Regulation, LME Clear shall not permit such Transfer to take effect where any condition or requirement that reflects a condition or requirement to a Transfer under Article 48(5) or (6) of the EMIR Level 1 Regulation is not satisfied, including for the avoidance of doubt, any requirement for the Client(s) and the Member Transferee to have consented to the Transfer.

10.7.10 LME Clear may, pursuant to any Transfer, transfer only the positions (and associated Contracts) allocated to an Account and not the related assets (or Collateral) allocated to that Account where and to the extent that:

(a) the Member Transferee ensures that the Margin Requirement applicable to its Client Account (taking into account the Positions that will be added by the Transfer) is satisfied by the provision of Collateral provided by such Member Transferee to LME Clear prior to the Transfer Time;

(b) the Automatic Porting Designation Documents or the Porting Request Notice specifies that any Collateral shall not be subject to the Transfer, in which case the Transfer shall be conditional upon the satisfaction of the requirement specified in Rule 10.7.5(d) above;

(c) for reasons outside the control of LME Clear it is not operationally practicable for such Collateral to be subject to the Transfer, in which case the Transfer shall be conditional upon the satisfaction of the requirement specified in Rule 10.7.5(d) above;

(d) the transfer of the Collateral is not permissible under Applicable Law or LME Clear is prevented from effecting such transfer by any court order or legal restriction applying to LME Clear or the Collateral, or by any claim or right of the Member Transferor or any other person which may take precedence during any insolvency procedure affecting the Member Transferor; or

(e) the Transfer is a Partial Transfer.

10.7.11 Where the Collateral allocated to an Account includes LME Warrant Collateral provided by the Defaulting Member or its Posting Affiliate, such LME Warrant Collateral (but not LME Warrant Collateral posted by a Posting Client) shall cease to constitute Available Non-cash Collateral from the time that the relevant Default Notice is effective until such time as that LME Warrant Collateral is retransferred to the LME Clear Pledged Account by a Member Transferee in accordance with and subject to the provisions of Default Procedure Part D2.12.

10.7.12 LME Clear may, when taking the action under this Rule 10.7, rely (without further investigation) on the information provided by the Defaulting Member or its relevant Clients to LME Clear pursuant to the Rules.

10.7.13 Such a Transfer shall be effected in accordance with the provisions set out in the Default Procedures.

10.7.14 LME Clear shall incur no liability to the Defaulting Member, any Client or other person for any action taken or omitted to be taken under this Rule 10.7, except in the case of its own wilful default.

10.7.15 LME Clear has published a disclosure document summarising the legal implications of its powers to effect Transfers. This document explains the implications of Transfers made in accordance with LME Clear's obligations under Articles 48(5) and 48(6) of the EMIR Level 1 Regulation, together with the implications of the exercise by LME Clear of its discretion pursuant to Rule 10.7.9 to permit a Transfer notwithstanding that any condition in the Rules or Procedures may not have been satisfied. The exercise of such a waiver may result in Transfers in circumstances where it is not necessary for the purposes of complying with the minimum requirements of Articles 48(5) and 48(6) of the EMIR Level 1 Regulation. The disclosure document can be found at:

http://www.lme.com/~/media/Files/LME%20Clear/Rules%20and%20regulation/Disclosure/LME%20Clear%20-%20Disclosure%20under%20EMIR%2039(7).pdf

10.8 FINAL NET SETTLEMENT OF UNPORTED CLIENT ACCOUNTS

10.8.1 For the purpose of discharging the Defaulting Member's rights and liabilities under or in respect of all Contracts to which it is party and which are recorded on a Client Account (which has not been ported under Rule 10.7), LME Clear shall:

(a) bring into account:

(i) all sums payable by or to the Defaulting Member in respect of such Contracts recorded on such Client Account;

(ii) (to the extent permitted by the Default Requirements) all other sums payable by or to the Defaulting Member under the Rules on such Client Account; and

(iii) LME Clear's costs in hedging and liquidating any Positions allocated to a Client Account that have not been transferred pursuant to the Porting Process, such costs being for the account of the Defaulting Member;

(b) the sums so payable shall be aggregated or set off so as to produce a net sum; and

(c) if payable by the Defaulting Member to LME Clear:

(i) such net sum shall in each case be set off against:

(1) any sum due by LME Clear to the Defaulting Member and/or any Collateral (following enforcement and liquidation if necessary pursuant to the terms of the relevant Security Document) provided by or on behalf of the Defaulting Member in each case in respect of the relevant Client Account; and

(2) such amount (if any) of the outstanding Default Fund Contribution of the Defaulting Member as LME Clear may determine under Rule 10.5.1(e) (after the application of such Default Fund Contribution for any other purpose permitted under the Rules),

(or, in either case, the proceeds of realisation of such amounts) so as to produce a further net sum, or shall be aggregated with any debit balance on such Client Account; and

(ii) such net sum may be further set off against any positive net balance on a House Account of the Defaulting Member that LME Clear elects to allocate to meet any deficiency on the Client Account pursuant to Rule 10.5.1(d) so as to produce a further net sum; and

(iii) such net sum shall be reduced by the extent that LME Clear makes a claim and recovers the value of that claim directly against any Posting Client that has provided LME Warrant Collateral in respect of such Client Account under the undertaking in Rule 8.10.1 including by enforcing and liquidating any such LME Warrant Collateral pursuant to the terms of the relevant Posting Client Security Document; or

(d) if payable by LME Clear to the Defaulting Member, the net sum on such Client Account shall be aggregated with the amounts referred to in paragraph (c)(i) and (ii) (or the proceeds of realisation of such amounts).

10.8.2 The process in this Rule 10.8 shall be applied separately in respect of each Service, such that a separate net sum shall be calculated for each Client Account in respect of each Service.

10.9 CERTIFICATION, DELEGATION, CO-OPERATION, REPORTING

10.9.1 On completion of the process set out in Rule 10.6 or 10.8 (whichever is applicable), LME Clear shall promptly certify each sum finally payable by the Defaulting Member to LME Clear (or vice versa) on the relevant Account or, as the case may be, the fact that no sum is payable. The certificate of LME Clear under this Rule 10.9 shall be conclusive as to the discharge of the Defaulting Member's rights and liabilities in respect of the Contracts to which it relates and the net sum finally payable in respect of them (or the fact that no sum is payable). LME Clear shall incur no liability whatsoever for any act or omission in determining any sum payable under this Rule 10 except to the extent arising from LME Clear's wilful default.

10.9.2 LME Clear shall, as soon as practicable after issuing a Default Notice in respect of a Member, appoint a day on which any net sums certified under this Rule 10 will become due to the Defaulting Member and will be paid by LME Clear. The day so appointed shall not fall on a day before completion of the process specified in this Rule 10.9.

10.9.3 LME Clear shall make such report to the Regulator of its proceedings under this Rule, and shall supply copies and make available such report, in the manner required by section 162 of the Companies Act 1989.

10.9.4 The provisions of this Rule 10 are without prejudice to the right of LME Clear to prove in the insolvency of the Defaulting Member both in respect of any net sum or sums payable by the Defaulting Member pursuant to Rule 10.5 and 10.8 and in respect of any other obligations of the Defaulting Member to the extent they are not brought into account in the net settlement procedure set out in the Rules 10.5 and 10.8, including any other expenses incurred by LME Clear in consequence or in respect of the event or circumstance which entitled LME Clear to act under Rule 10.1.2 or the steps which are taken under this Rule 10, and of any other losses, costs or expenses incurred or suffered by LME Clear and for which the Defaulting Member is liable under the Rules and/or to exercise any other rights and remedies which it may have against the Defaulting Member.

10.9.5 LME Clear may appoint any person to take or assist it in taking any step under the Rules or to complete or assist it in completing the process set out in Rule 10.4 to 10.9. Any costs incurred by LME Clear, acting reasonably, to any such person shall be for the account of the Defaulting Member.

10.9.6 LME Clear may at any time co-operate, by the sharing of information and otherwise, with the Regulator or any other regulator, any Approved Transaction Platform, or any relevant Office-Holder acting in relation to the Defaulting Member, its Posting Affiliate or either of their estates and any other authority or body having responsibility for any Defaulting Member or Posting Affiliate, or having an interest in any matter arising out of or connected with the circumstances mentioned in Rule 10.1.

10.9.7 In addition to any report supplied under section 162(3) of the Companies Act 1989, LME Clear shall report to the Defaulting Member, on the steps taken by LME Clear in relation to the Defaulting Member under Rule 10.4.

10.9.8 LME Clear may, by notice in writing to a non-defaulting Member, require such non-defaulting Member to provide reasonable assistance to LME Clear (including market execution services and information) in connection with the close out of a Defaulting Member's open contracts. Such assistance may include, but shall not be limited to, the participation by such non-defaulting Member in auctions of a Defaulting Member's positions under any open contracts.

10.9.9 LME Clear may, if required pursuant to any law or regulation binding on LME Clear or at the direction of any Regulator that has the power to give directions to LME Clear, disclose to the public any breach by a Member of the Membership Criteria. Any such disclosure shall not constitute a breach by LME Clear of its obligations under Rule 2.6.1 (*Confidentiality*).

10.9.10 LME Clear may retain so much of the net sum referred to in Rule 10.9.2 as it considers necessary to cover any further costs (including expenses, staff costs and legal fees incurred by LME Clear in managing the default of the Defaulting Member) recoverable by LME Clear from the Defaulting Member under the Rules. LME Clear shall, upon the settlement of such further costs, pay any remaining amount of the net sum to the Defaulting Member or, where Rule 10.5.1(c) applies, to the relevant Client(s).

10.9.11 LME Clear shall not be liable to any Member, Client or any other person for any statement made by an Approved Transaction Platform or any other person regarding the amount of profit or loss that may be due to such Member, Client or other person in

the event of any Default Event or any similar circumstances arising in relation to any Member.

10.10 DEFAULT WATERFALL AND ALLOCATION OF ANY EXCESS LOSS

Separate Default Waterfalls for Separate Services

10.10.0 This Rule 10.10 shall be applied separately in respect of each Service, and references specific terms (including references to the Default Loss, Excess Loss, Default Period, Default Fund Contributions and Dedicated Own Resources and Termination Dates) shall be construed to refer to such terms as they apply solely in the context of the specific Service and the relevant Default Fund, ***provided that*** where a Member has a positive balance on its House Account in respect of any Service, such positive balance may be set off against any Account on which there is a Default Loss in respect of any Service, so as to reduce the Default Loss to which the provisions of Rule 10.10 are to be applied. For the avoidance of doubt, and subject to the foregoing proviso, where a Defaulting Member participates in more than one Service:

(a) the Default Loss and/or Excess Loss in respect of one Service shall be calculated separately from the Default Loss and/or Excess Loss in respect of any other Service;

(b) any Default-Specific Replenishment Notice, Default-Specific Cap, Stabilisation Replenishment Notice and Per Default Stabilisation Cap shall be calculated separately in respect of the relevant Default Fund applicable to each Service, and the provisions applying to such terms shall be applied separately in respect of each such Service;

(c) where this Rule 10 is applied in respect of any Service, only Members participating in that Service shall be liable to make contributions pursuant to a Default Specific Replenishment Notice or a Stabilisation Replenishment Notice in respect of the relevant Default Fund applicable to that Service;

(d) LME Clear shall maintain separate Dedicated Own Resources in respect of each Service, and accordingly, references to such Dedicated Own Resources shall be construed on a service-specific basis;

(e) separate Default Periods may apply in respect of each Service, subject that all such Default Periods shall commence at the time of the issue of the Default Notice, and each such Default Period shall end at the relevant time determined in accordance with Rule 10.10.6.

Indemnity Basis of Obligations

10.10.0A Where under this Rule 10.10 a non-defaulting Member is required to make a payment, contribution or replenishment, including out of its Default Fund Contributions, in relation to a Defaulting Member's Excess Loss, such payment, contribution or replenishment shall be made pursuant to an indemnity which is hereby given irrevocably by such non-defaulting Member to LME Clear.

During the Default Period

10.10.1 A Default Loss shall be satisfied in the following order of priority:

(a) first, LME Clear will apply all Collateral provided by the Defaulting Member, its Posting Affiliate or a Posting Client in respect of each relevant Account on which

a Default Loss has arisen, in accordance with Rule 10.5 and 10.6 or 10.8 (as applicable) in or towards the discharge of the Default Loss in accordance with the Rules;

(b) second, if the Collateral provided by the Defaulting Member, its Posting Affiliate or a Posting Client is applied by LME Clear towards the Default Loss and is not sufficient to discharge the balance of the Default Loss, LME Clear will apply the Default Fund Contribution of the Defaulting Member in or towards the discharge of the outstanding balance of the Default Loss;

(c) third, if the Default Fund Contribution of the Defaulting Member is applied by LME Clear towards the Default Loss and is not sufficient to discharge the balance of the Default Loss, LME Clear will apply its Dedicated Own Resources in or towards the discharge of the outstanding balance of the Default Loss;

(d) fourth, if the Dedicated Own Resources of LME Clear have been applied by LME Clear towards the Default Loss and are not sufficient to discharge the balance of the Default Loss, LME Clear will apply the Default Fund Contributions of non-defaulting Members on the basis set out in Default Procedure Part C6.6 and, if applicable, Default Procedure Part C6.8, in or towards the discharge of the remaining balance of the Default Loss (the "**Excess Loss**"); and

(e) fifth, if all the above resources have been applied by LME Clear towards the Default Loss and are not sufficient to discharge the balance of the Default Loss, or where permitted under Rule 10.10.4 below, then LME Clear may issue one or more Notices to the non-defaulting Members requiring such Members to contribute additional resources towards the discharge of the remaining balance of the Default Loss in the form of Default Fund Contributions (a "**Default-Specific Replenishment Notice**"). Upon the publication of a Default-Specific Replenishment Notice:

(i) each non-defaulting Member will immediately pay to LME Clear with the amount of Default Fund Contribution specified in the Default-Specific Replenishment Notice, subject to and up to the limits specified in Rule 10.10.4 below; and

(ii) LME Clear will immediately replenish such an amount of its Dedicated Own Resources that is in the same proportion as the total amounts payable under (i) bear to the aggregate sum of the Default-Specific Replenishment Caps applicable to all non-defaulting Members, subject that LME Clear shall not be required to replenish an amount that would result in the level of Dedicated Own Resources being in excess of the level immediately prior to the commencement of the Default Period.

All amounts so replenished by non-defaulting Members and LME Clear will be applied on a pro-rata basis in or towards the discharge of the outstanding balance of the Default Loss.

For the purposes of Rule 10.10.1(e), the expression "*pro rata*" means in the proportion which:

(1) (in the case of the non-defaulting Member's replenishment) the amount of the Default Fund Contributions provided to LME Clear by each individual non-defaulting Member to the aggregate amount of the Default Fund Contributions provided by all non-defaulting Members and

the amount of the Dedicated Own Resources provided by LME Clear (taken as a whole), immediately following the replenishment; or

(2) (in the case of LME Clear's replenishment) the amount of the Dedicated Own Resources provided by LME Clear bears to the aggregate amount of the Default Fund Contributions provided by all non-defaulting Members and the amount of the Dedicated Own Resources provided by LME Clear (taken as a whole), immediately following the replenishment.

This provision is subject to Rule 10.10.9(d).

When determining the amount of any Excess Loss, LME Clear may include within the amount of such Excess Loss a provision for the reasonable costs that LME Clear, acting reasonably, estimates will be incurred by LME Clear in implementing its powers pursuant to this Rule 10 in relation to any Account(s) of the Defaulting Member (including any expenses, staff costs and legal fees).

10.10.2 If the amounts replenished and applied in accordance with Rule 10.10.1(e) are not sufficient to discharge the Excess Loss, LME Clear may notify the non-defaulting Members, by Notice, that they shall be required to contribute towards the discharge of the Excess Loss on the following basis:

(a) LME Clear shall determine:

(i) the total amounts of payments due to Members on the next following Business Day pursuant to the calculation of Members' Variation Margin Requirements ("**Total Member VM Profit Payments**"); and

(ii) the total value of contingent credits due to Members in respect of DCVM and CCVM calculations, for value on the next following Business Day pursuant to the calculation of the Member's Variation Margin Requirements ("**Total Member VM Credits**"),

the sum value of the Total Member VM Profit Payments and Total Member VM Credits being the "**Total Member VM Profits**";

(b) LME Clear shall apportion the Excess Loss against each Account of each Member that has, in respect of such Account, an entitlement to receive payment balances pursuant to the calculation of that Member's Variation Margin Requirement (each Member's entitlement in respect of each such Account being its "**Per Account Member VM Profit**"), on the basis that:

(i) if the amount of remaining Excess Loss is less than the Total Member VM Profits, the non-defaulting Members that have Per Account Member VM Profits shall have their Per Account Member VM Profits applied towards the discharge of the Excess Loss on a pro-rata basis (where the expression "*pro rata*" means in the proportion which the amount of the Per Account Member VM Profit of each individual non-defaulting Member bears to the Total Member VM Profits of all Accounts of all non-defaulting Members); and

(ii) if the amount of remaining Excess Loss is equal to or greater than the Total Member VM Profits, each non-defaulting Member's Per Account Member VM Profit shall be applied in full towards the discharge of the Excess Loss,

and where LME Clear has applied all or any part of a non-defaulting Member's Per Account Member VM Profit towards the discharge of the remaining Excess Loss, LME Clear's Payment Obligations to such Member for that Business Day and any contingent credits shall be reduced accordingly (the process set out in this paragraph (b) being a "**VM Haircut**"). Where LME Clear applies part of the non-defaulting Members' Per Account Member VM Profit towards the discharge of the Excess Loss and such Per Account Member VM Profit comprises both payments and contingent credits due to the Member, LME Clear shall, in its discretion, determine how to apportion such payments and contingent credits to the amounts to be applied;

(c) in the event that, following the application of the VM Haircut, there remains an Excess Loss, LME Clear may repeat the VM Haircut process on each of the next following Business Days until the earlier of:

(i) the Excess Loss has been fully discharged; or

(ii) the Board determines, following consultation with the EMIR Risk Committee, that the application of further VM Haircuts would be inappropriate or ineffective in discharging the Excess Loss and that cash settlement in accordance with paragraph (d) below should be applied; and

(d) in the event that LME Clear makes a determination in accordance with paragraph (c)(ii) above, then on the day on which the final VM Haircut is calculated (the "**Final Day**"), LME Clear may effect a cash settlement of certain Open Contracts between LME Clear and the non-defaulting Members, together with a write-down of LME Clear's cash settlement obligations to such non-defaulting Members on the following basis:

(i) LME Clear shall determine which Open Contracts of the Defaulting Member have not yet been closed out;

(ii) LME Clear shall identify the metal or metals comprising the Underlying Assets for such Open Contracts (such metals being the "**Unclosed Metals**");

(iii) LME Clear shall effect a cash settlement of every Open Contract between LME Clear and any non-defaulting Member for which an Unclosed Metal comprises the Underlying Asset, and the price for such cash settlement shall be determined at the Closing Price for such Open Contracts as applies on the Final Day or, if such Closing Price is not available, the price shall be such price as the Board determines is reasonably appropriate in the circumstances in consultation with the EMIR Risk Committee (on the basis that, where possible, such price shall be the same as that applied in respect of the variation margin calculation applied in respect of each such Open Contract on the Final Day); and

(iv) any amount payable by LME Clear to each non-defaulting Member as a consequence of the cash settlements applicable to each Account of such Member shall be set off against any amounts payable to, or otherwise due as credits to, LME Clear by such Member pursuant to the calculation of the Variation Margin Requirement applicable to such Account as determined following Close of Business on that Final Day, and the settlement of such payments and set-off amounts shall be made on the next Business Day following the Final Day in accordance with the Cover Distribution Process.

10.10.3 The amount of the Default Fund will not be recalculated and reset during the Default Period. Each Member shall be required to provide additional Default Fund Contributions during the Default Period:

(a) pursuant to a Default-Specific Replenishment Notice (in accordance with Rule 10.10.1(e)(i) and subject to and in accordance with Rule 10.10.4 below); and/or

(b) pursuant to a Stabilisation Replenishment Notice (in accordance with and subject to Rule 10.10.5 below).

10.10.4 LME Clear may issue one or more Default-Specific Replenishment Notices to each non-defaulting Member during the Default Period, in accordance with Rule 10.10.1(e) and in accordance with and subject to the following provisions:

(a) the total amount payable by a non-defaulting Member pursuant to one or more Default-Specific Replenishment Notices issued in respect of a single Member Default shall not exceed the level of Default Fund Contributions of that non-defaulting Member immediately prior to the Default Period (the "**Default-Specific Cap**");

(b) in respect of each Member Default, LME Clear may issue one or more Default-Specific Replenishment Notices to each non-defaulting Member for such amounts and at such times as LME Clear determines is appropriate, subject to the application of the Default-Specific Cap;

(c) LME Clear may issue a Default-Specific Replenishment Notice pursuant to Rule 10.10.1(e) notwithstanding that:

(i) the Default Fund Contributions of non-defaulting Members may not have been exhausted pursuant to Rule 10.10.1(d); and

(ii) the effect of such Default-Specific Replenishment Notice, taken together with any other replenishments and the existing balance of the Default Fund, would result in each non-defaulting Member's total Default Fund Contributions being in excess of the level applicable immediately prior to the commencement of the Default Period; and

(d) in the event that there is more than one Member Default during a Default Period:

(i) a separate Default-Specific Cap shall be applied in respect of each Member Default;

(ii) each Default-Specific Replenishment Notice must specify to which Member Default it relates; and

(iii) any amounts contributed by a non-defaulting Member pursuant to a Default-Specific Replenishment Notice may be applied by LME Clear only in respect of the Member Default to which it relates.

10.10.4A In any six (6) month period (commencing on the date of delivery of the first Default-Specific Replenishment Notice in connection with the first Default), the maximum amount that LME Clear may require any Member to contribute pursuant to Default-Specific Replenishment Notices shall be limited to the amount that would be recoverable under three (3) Default-Specific Replenishment Notices that were each issued for the amount of the Default-Specific Cap applicable to each such Default-Specific Replenishment Notice.

10.10.5 Each Member shall be required to provide additional Default Fund Contributions during the Default Period immediately upon receipt of Notice from LME Clear requiring it to replenish its Default Fund Contribution, where LME Clear requires such replenishment in order to ensure that the Default Fund does not fall below the Relevant DF Minimum Threshold (a "**Stabilisation Replenishment Notice**"). The amounts payable by a non-defaulting Member pursuant to one or more Stabilisation Replenishment Notices shall be as determined by LME Clear, subject that:

(a) the total amount payable by a non-defaulting Member pursuant to one or more Stabilisation Replenishment Notices issued in respect of a single Member Default shall be limited to an amount equal to the total value of the Default Fund Contribution of that non-defaulting Member immediately prior to the Default Period (the "**Per Default Stabilisation Replenishment Cap**") and, accordingly, in the event that there is more than one Member Default during a Default Period:

(i) a separate Per Default Stabilisation Replenishment Cap shall be applied in respect of each Member Default; and

(ii) each Stabilisation Replenishment Notice must specify to which Member Default it relates; and

(b) LME Clear may not apply any amounts contributed by a non-defaulting Member pursuant to a Stabilisation Replenishment Notice towards any Default Losses that relate to the Member Default pursuant to which the Stabilisation Replenishment Notice was issued; such amounts may only be applied by LME Clear, in accordance with Rule 10.10.1(d) or (e), towards the discharge of Default Losses that arise in respect of other Member Defaults that may arise during or after the Default Period.

10.10.5A In any six (6) month period (commencing on the date of delivery of the first Stabilisation Replenishment Notice in connection with the first Default), the maximum amount that LME Clear may require any Member to contribute pursuant to Stabilisation Replenishment Notices shall be limited to the amount that would be recoverable under three (3) Stabilisation Replenishment Notices that were each issued for the amount of the Per Default Stabilisation Replenishment Cap applicable to each such Stabilisation Replenishment Notice.

Duration of Default Period

10.10.6 For the purpose of this Rule 10.10, the expression "**Default Period**" means:

(a) the period commencing on the issue of a Default Notice in respect of a Defaulting Member and ending on:

(i) the date on which LME Clear issues a Circular to notify Members that the default management process in respect of that Defaulting Member has been substantially carried out; or

(ii) if a Default Notice is issued by LME Clear in respect of one or more other Members before such process has been substantially carried out in respect of the first Defaulting Member, the final date on which the default management process for all such Defaulting Members has been substantially carried out,

and LME Clear will not be obliged to give such notification until satisfied that all risk to LME Clear arising from such Defaulting Member's membership of the Clearing System has ceased to exist; or

(b) where the Defaulting Member participates in more than one Service, separate Default Periods shall come into effect in relation to each such Service, in each case commencing on the issue of the Default Notice and each ending on:

(i) the date on which LME Clear issues a Circular to notify Members that the default management process in respect of the Defaulting Member's participation in the specific Service has been substantially carried out; or

(ii) if a Default Notice is issued by LME Clear in respect of one or more other Members before such process has been substantially carried out in respect of the first Defaulting Member, the final date on which the default management process for all such Defaulting Members has been substantially carried out,

LME Clear shall not be obliged to give such notification until satisfied that all risk to LME Clear arising from such Defaulting Member's participation in the Service has ceased to exist.

After the Default Period

10.10.7 If, after the end of any Default Period, the amount of LME Clear's Dedicated Own Resources falls short of the amount required pursuant to Article 16 of the EMIR Level 1 Regulation, LME Clear will notify the Clearing House Regulator of that fact and shall:

(a) make good the shortfall within 30 days of the date on which it arose; or

(b) in the event that the Excess Loss was finally satisfied pursuant to Rule 10.10.2, LME Clear shall carry out an urgent business viability review (having regard to the principles set out in the Default Procedure C8) to determine whether to continue to operate the Clearing System as a central counterparty or to discontinue operation and will publish its decision by Circular, together with a Notice issued directly to each Member. LME Clear may make any such determination in respect of the Clearing System as a whole or in respect of any specific Service.

10.10.8 Upon receipt of Notice from LME Clear that a Default Period has ended, each Member shall immediately replenish in full its Default Fund Contribution applicable to the Service(s) to which the Default Period related, in order to restore it to the level applicable immediately prior to the commencement of the Default Period.

10.10.9 After the end of a Default Period:

(a) LME Clear shall, between the second (2^{nd}) and sixth (6^{th}) Business Day following the end of the Default Period, recalculate the size of the relevant Default Fund and notify each Member to inform them of their revised Default Fund Contribution (the time of provision of such notice being the "**Cut Off Time**");

(b) each Member may choose either:

(i) to continue its Membership;

(ii) terminate its Membership by lodging a Resignation Notice with LME Clear in accordance with Rule 3.5 and 3.6; or

(iii) terminate its participation in any specific Service by lodging a Service Termination Notice with LME Clear in accordance with Rule 3.7,

but shall be deemed to continue its Membership and participation in any Service unless it lodges a Resignation Notice or Service Termination Notice (as applicable) with LME Clear in accordance with the Rules prior to the Cut Off Time;

(c) a Member that does not lodge a Resignation Notice or Service Termination Notice with LME Clear under Rule 10.10.9(b) before the Cut Off Time shall, if the level of required Default Fund Contribution determined by LME Clear on the basis of its latest Default Fund calculation is higher than the level of Default Fund Contribution currently maintained by the Member with LME Clear, immediately pay to LME Clear such additional amount as is sufficient to meet its recalculated level of required Default Fund Contribution (and this provision shall be applied separately in respect of each Service to which the Member contributes a separate Default Fund Contribution); and

(d) each Member that lodges a Resignation Notice or Service Termination Notice with LME Clear under Rule 10.10.9(b) before the Cut Off Time shall immediately pay to LME Clear such amount of Collateral as LME Clear may require by way of additional margin on each Account of such Member in an amount equal to the difference between the then current Margin Requirement for such Account and the amount calculated by LME Clear to represent the worst case loss capable of being incurred on such Account by such Member as a result of it continuing to use the Clearing System during the period until the Termination Date or Service Termination Date (as applicable), and will maintain such additional margin during such resignation period.

Retiring Members

10.10.10 If a Member lodges a Resignation Notice or Service Termination Notice with LME Clear before the Cut Off Time, Rule 3.8 (Exposure Limiting Resignation) shall apply.

Closure of Clearing System

10.10.11 If LME Clear elects under Rule 10.10.7(b) to discontinue the operation of the Clearing System, then

(a) LME Clear will:

(i) permit Open Contracts with LME Clear to be withdrawn for bilateral settlement between two Members;

(ii) run a final settlement cycle at a time chosen by it;

(iii) terminate all Open Contracts on a Settlement Date determined by LME Clear (using the methodology set out in the Default Procedures) and the price for the cash settlement of such Open Contracts shall be determined at the latest Closing Price for the Underlying Assets for such Open Contracts or, if such Closing Price is not available, the price shall be such price as the Board determines is reasonably appropriate in the circumstances in consultation with the EMIR Risk Committee; and

(iv) notify each non-defaulting Member of any amounts payable as determined by the final settlement cycle (which will be immediately paid by each such Member to LME Clear in accordance with Rule 8 (*Margin Requirement and Collateral*)),

in each case on such terms and conditions as LME Clear may determine as appropriate in the circumstances then prevailing;

(b) manage the discontinuance of the operation of the Clearing System, and the withdrawal of its authorisation as an authorised central counterparty under EMIR, in accordance with the wind-down plan that it is required to maintain under EMIR, and in consultation with the Clearing House Regulator(s); and

(c) where LME Clear elects to discontinue operation of the Clearing System in respect only of a specific Service, but not in respect of any other Service, this Rule shall be applied only in respect of the Open Contracts relating to the discontinued Service and associated payments.

Each Member acknowledges and agrees that LME Clear may be required by a Clearing House Regulator to take, or refrain from taking action(s) in connection with the operation of the Clearing System during the period in which LME Clear is implementing its wind-down plan and that LME Clear shall not be liable to any Member or any other person for any act taken or omitted to be taken by LME Clear on the instructions of a Clearing House Regulator.

10.10.12 Any steps taken by LME Clear pursuant to Rule 10.10.11 (a) above shall be without prejudice to the application of Rule 10.13 (*LME Clear Default*) in respect of any Member (and its Contracts) that has exercised its rights thereunder prior to LME Clear making an election under Rule 10.10.7(b).

Failure to Co-operate with LME Clear

10.10.13 If a Member shall fail to perform its obligations under this Rule 10.10 or (where applicable) under Rule 3.8 (*Exposure Limiting Resignation*), then without prejudice to LME Clear's rights to declare a Default Event in respect of that Member, LME Clear may take disciplinary action against the Member pursuant to Rule 3.11 (*Membership*) and Membership Procedure D. Any disciplinary action which LME Clear takes pursuant to Rule 3.11 and/or Membership Procedure D, or the voluntary or involuntary cessation of participation by Member, shall not affect the obligations of the Member to LME Clear or any remedy to which LME Clear may be entitled under the Rules and Applicable Law.

10.11 REFUNDS

10.11.1 If the amount of an Excess Loss indemnified by non-defaulting Members under Rule 10.10.1(e) or 10.10.2 is subsequently recovered by LME Clear in whole or in part, LME Clear shall notify such non-defaulting Members that contributed towards the discharge of such Excess Loss (at their last known address, if they have since ceased to be Members) of the amount of the recovery and the amount refundable to them (a "**Refund**") out of the amount so recovered (which shall be shared between them in the same proportions in which the Excess Loss was borne by them), provided that no Member shall be entitled to recover a greater amount than that Member contributed towards the discharge of the Excess Loss. LME Clear shall be entitled to retain any surplus amount recovered, following the reimbursement of Members.

10.11.2 Any unclaimed Refund may be invested or otherwise used by LME Clear until claimed. No Refund shall bear interest as against LME Clear.

10.11.3 Any Refund which has remained unclaimed for a period of 12 months from the date of notification under Rule 10.10.1 shall, if LME Clear so determines, be applied:

(a) first, in making a further Refund under Rule 10.10.1 to those non-defaulting Members which have claimed their Refunds until they have received the full amount indemnified by them in respect of the Default Loss to which the Refund relates; and

(b) secondly, the balance shall cease to be refundable by LME Clear and shall thereafter belong to LME Clear absolutely and be available for use by LME Clear in its operation of the Clearing System.

10.12 INDIRECT CLIENT PORTING

Definitions

10.12.1 In this Rule 10.12:

(a) "**Client Porting Request**" means a request by a Member for LME Clear to take the steps set out in Rule 10.12.5 or Rule 10.12.7;

(b) "**Client Termination Event**" has the meaning set out in Rule 10.12.2(b);

(c) "**Defaulting Clearing Client**" means the Clearing Client in respect of which a Client Termination Event has occurred;

(d) "**Direct Client Transfer**" means a transfer of Transferring Indirect Clients to a direct Client relationship with the Member, and the allocation of such Transferring Indirect Clients to a Replacement Direct Client Account, in accordance with Rule 10.12.7;

(e) "**Original Indirect Client Account**" means the Indirect Individual Segregated Client Account or Indirect Gross Omnibus Segregated Client Account (as applicable) maintained by the Member for the Defaulting Clearing Client in respect of the Transferring Indirect Clients;

(f) "**Replacement Clearing Client**" means a Clearing Client that agrees to accept responsibility to the Member for the Underlying Client Trades of the Transferring Indirect Clients;

(g) "**Replacement Clearing Client Transfer**" means a transfer of Transferring Indirect Clients to a Replacement Clearing Client, and the allocation of such Transferring Indirect Clients to a Replacement Indirect Client Account, in accordance with Rule 10.12.5;

(h) "**Replacement Direct Client Account**" means an Indirect Individual Segregated Client Account or Indirect Gross Omnibus Segregated Client Account (as applicable) established by a Member in order to record the assets and positions relating to Transferring Indirect Clients, where such Account is established on the basis that such Transferring Indirect Clients shall be treated as direct Clients of the Member;

(i) "**Replacement Indirect Client Account**" means an Indirect Individual Segregated Client Account or Indirect Gross Omnibus Segregated Client Account (as applicable) established by a Member in respect of a Replacement Clearing Client in order to record the assets and positions relating to Transferring Indirect Clients; and

(j) "**Transferring Indirect Clients**" means the Indirect Clients that are the subject of a Client Porting Request.

Client Termination Events and Client Porting Requests

10.12.2 In the event that:

(a) a Member has established an Indirect Individual Segregated Client Account or an Indirect Gross Omnibus Segregated Client Account for a Clearing Client in respect of one or more Indirect Clients;

(b) any event occurs in relation to the Clearing Client that gives rise to a right for the Member or the Clearing Client to terminate, or results in the automatic termination, all of the Underlying Client Trades between the Member and the Clearing Client (including, for the avoidance of doubt, where the Clearing Client becomes insolvent or any Office-Holder is appointed in respect of the Clearing Client) and such Underlying Client Trades are, accordingly, terminated or either party provides notice to the other to terminate such Underlying Client Trades (the circumstances described in this paragraph (b) being a "**Client Termination Event**"); and

(c) such Underlying Client Trades correspond to Contracts allocated to the Indirect Individual Segregated Client Account or Indirect Omnibus Segregated Client Account (as applicable) maintained by the Member in respect of such Clearing Client, such that there are Open Contracts between LME Clear and the Member allocated to such Account,

then the Member may issue a Client Porting Request to LME Clear.

10.12.3 The Member shall specify in the Client Porting Request:

(a) whether the transfer of the Transferring Indirect Clients shall be to:

(i) a Replacement Indirect Client Account; or

(ii) a Replacement Direct Client Account; and

(b) whether the Collateral allocated to the relevant Original Indirect Client Account shall be transferred to the Replacement Indirect Client Account or the Replacement Direct Client Account (as applicable).

10.12.4 Within twelve (12) Business Hours of receipt of a Client Porting Request, LME Clear shall determine whether a Replacement Clearing Client Transfer or a Direct Client Transfer (as applicable) is possible and shall notify the Member:

(a) whether such a transfer may be made; and

(b) of any conditions that LME Clear considers, acting reasonably, must be satisfied in order to enable LME Clear to effect such transfer; and

(c) the time period within which all such conditions must be satisfied.

LME Clear may not refuse a transfer pursuant to a Client Porting Request where the conditions in Rule 10.12.5 or 10.12.7 (as applicable) and Rule 10.12.9 are satisfied.

Transfer to Replacement Clearing Client

10.12.5 In the event that the Member notifies LME Clear that all the Indirect Clients are to be transferred to a single Replacement Clearing Client then, subject to Rule 10.12.4, LME Clear will transfer to the Replacement Indirect Client Account all Open Contracts and the associated Positions and, where applicable, Collateral recorded to the Original Indirect Client Account, provided that:

(a) the Replacement Clearing Client is a Client of the Member;

(b) the Member has, in respect of such Replacement Clearing Client established Replacement Indirect Client Account that is of an equivalent type to the Original Indirect Client Account;

(c) the Member has satisfied all requirements applying to the establishment of such Replacement Indirect Client Account as a Client Account under these Rules;

(d) LME Clear receives written notification from the Replacement Clearing Client, in such form as LME Clear determines acceptable and within such period as LME Clear specifies following its receipt of the Client Porting Request, that it agrees to act as the Replacement Clearing Client in respect of all the Indirect Clients allocated to the Original Indirect Client Account; and

(e) the general conditions in Rule 10.12.9 are satisfied.

10.12.6 In the event that LME Clear determines, for whatever reason, that it is not possible to effect a Replacement Clearing Client Transfer pursuant to Rule 10.12.5, LME Clear may decline to act on the Client Porting Request.

Transfer to Direct Clearing Arrangement

10.12.7 In the event that the Member notifies LME Clear that it wishes to establish a Replacement Direct Client Account in respect of the Transferring Indirect Clients then, subject to Rule 10.12.4, LME Clear will transfer to the Replacement Direct Client Account all Open Contracts and the associated Positions and, where applicable, Collateral recorded to the Original Indirect Client Account (provided that the general conditions in Rule 10.12.9 are satisfied). LME Clear will permit such transfers only to a type of Replacement Direct Client Account that provides an equivalent level of segregation for the Transferring Indirect Client(s) as was provided under the Original Indirect Client Account.

Responsibilities of Member

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

(a) the Transferring Indirect Clients allocated to the Account that is the subject of the Client Porting Request:

(i) are notified of:

(1) the fact that the Client Porting Request has been made by the Member in respect of the Account(s) allocated to the Clearing Client;

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

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

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

(ii) do not object to the Client Porting Request; and

(b) the Member has made, prior to LME Clear giving effect to any Client Porting Request, such arrangements with the Transferring Indirect Clients and any Replacement Clearing Client as are necessary and appropriate to enable the Member and any Replacement Clearing Client to facilitate:

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

(ii) either:

(1) the transfer of Collateral from the relevant Account of the Member allocated to the Defaulting Clearing Client to the Replacement Indirect Client Account or the Replacement Direct Client Account; or

(2) the deposit of sufficient Collateral to the Replacement Indirect Client Account or the Replacement Direct Client Account to cover the risks associated with the Transactions to be transferred to such Account.

General Conditions to Transfer

10.12.9 LME Clear shall not be required to effect a Replacement Clearing Client Transfer or a Direct Client Transfer unless:

(a) the Member has established the appropriate type of Account to receive the assets and positions in respect of the Transferring Indirect Clients;

(b) the Member provides to LME Clear evidence or written representations, satisfactory to LME Clear (acting reasonably), that a Client Termination Event has occurred in relation to the relevant Underlying Client Trades, pursuant to a Notice which is copied to the Indirect Clients allocated to the Original Indirect Client Account;

(c) the Member provides to LME Clear a copy of the notice given by the Member to the Clearing Client in accordance with Rule 10.12.8(a), copied to the Indirect Clients allocated to the Original Indirect Client Account, notifying the Clearing Client of its intention to effect a Replacement Clearing Client Transfer or a Direct Client Transfer (as applicable) and specifying that, in the event that such transfer does not occur for any reason, LME Clear may decline to act on the Client Porting Request;

(d) where requested by LME Clear, the Member provides to LME Clear an indemnity, in such form as LME Clear determines acceptable; and

(e) any conditions notified by LME Clear pursuant to Rule 10.12.4 above have been satisfied.

General Discretion for LME Clear

10.12.10 LME Clear shall, upon becoming aware of any Client Termination Event, have a general discretion to effect a transfer of the Open Contracts and the associated Positions and Collateral recorded to the Original Indirect Client Account to:

(a) a Replacement Indirect Client Account, pursuant to a Replacement Clearing Client Transfer; or

(b) a Replacement Direct Client Account, pursuant to a Direct Client Transfer,

in each case notwithstanding that any requirement or condition specified in this Rule 10.12 may not have been satisfied, **provided that:**

(i) LME Clear considers, acting reasonably, that such transfer or re-designation is desirable in the interests of (i) protecting the integrity or stability of the Clearing System or any Approved Transaction Platform or (ii) protecting the interests of the Indirect Clients allocated to the Original Indirect Client Account;

(ii) the Member consents to such transfer or re-designation; and

(iii) in the case of a Replacement Clearing Client Transfer, LME Clear has written confirmation from the Member or from the Replacement Clearing Client that the Replacement Clearing Client consents to the transfer.

10.13 LME CLEAR DEFAULT

10.13.1 For the purpose of this Rule 10.13:

(a) an "**LME Clear Payment Default**" shall arise in the event that LME Clear fails to make a payment or delivery to a Member when it is due and payable or deliverable under the Rules and such failure is not remedied within thirty (30) days of LME Clear's receipt of notice of such failure from the affected Member, but shall not arise where:

(i) the Member has, prior to the date on which such payment or delivery became due, become a Defaulting Member;

(ii) LME Clear has satisfied or otherwise discharged its obligation to make payment or delivery pursuant to alternative means permitted by the Rules;

(iii) LME Clear's obligation to make the payment or delivery is not a payment or delivery obligation of LME Clear to the Member that is governed by the Rules;

(iv) LME Clear's failure to make the payment or delivery is the result of a Force Majeure Event;

(v) the obligation of LME Clear to make payment or delivery is the subject of action taken by LME Clear under Rule 2.4 (*Force Majeure*) in the event of a Force Majeure Event or circumstances falling within Rule 17 (*Emergencies*) of Part 3 of the LME Rules; or

(vi) in the circumstances prevailing, LME Clear is permitted under the Rules to have not made the payment or delivery to the Member, notwithstanding that it may have become due (such as, without limitation, where LME Clear does not deliver an Underlying Asset to a Member as a consequence of the application of the provisions applying to Invoicing Back pursuant to Rule 7.8);

(b) an "**LME Clear Insolvency Default**" shall arise in the event that LME Clear:

(i) makes an application to a court of competent jurisdiction, or an order is made by such court, for the purpose of: (i) declaring LME Clear to be bankrupt or insolvent; (ii) approving or granting a petition for a moratorium, reorganisation, arrangement (including pursuant to a scheme of arrangement), liquidation, dissolution, adjustment or composition of or in respect of LME Clear under any Applicable Law; (iii) appointing an administrator, assignee, custodian, examiner, liquidator, provisional liquidator, receiver, sequestrator, supervisor, nominee or trustee or other similar official in respect of LME Clear or any substantial part of its property, assets or undertaking; (iv) ordering the winding up, liquidation or bankruptcy of LME Clear; or (v) consenting to the institution by LME Clear or any person of proceedings for it to be adjudicated, bankrupt or insolvent or for it to be wound up or liquidated; provided that this paragraph (b)(i) shall not apply to any winding up petition which LME Clear reasonably considers to be frivolous or vexatious; or

(ii) LME Clear commences any proceedings, or consents to any application, for, or becomes subject to, the appointment of an administrator, assignee, custodian, examiner, liquidator, provisional liquidator, receiver, sequestrator, supervisor, nominee, trustee or other similar official in respect of the Member or any substantial part of its property, assets or undertaking;

but shall not arise:

(iii) where and to the extent that such circumstances arise solely as a consequence of any corporate restructuring of LME Clear or its Group (including any merger, consolidation or amalgamation of LME Clear or its business with that of any other party); or

(iv) where any member of LME Clear's Group, other than LME Clear, is the subject of the circumstances described in (i) or (ii) above,

and an LME Clear Payment Default and an LME Clear Insolvency Default shall, subject to Rule 10.13.2 below, each constitute an "**LME Clear Default**"; and

(c) "**Resolution Authority**" shall mean the Bank of England, acting in its capacities as the Regulator of LME Clear and as the authority with power to exercise powers with respect to LME Clear pursuant to, and for the purposes of, Part 1 (Special Resolution Regime) of the Banking Act 2009, as modified and supplemented by sections 89B to 89G of that Act.

10.13.2 The exercise of stabilisation powers under the Banking Act 2009 by the Resolution Authority in respect of LME Clear or any entity in the same Group as LME Clear and the occurrence of any event directly linked to the exercise of such powers shall not constitute the basis for an LME Clear Default (whether as an LME Clear Payment Default or an LME Clear Insolvency Default) provided that the substantive obligations of LME Clear

under the Rules, including payment and delivery obligations and the provision of collateral, continue to be performed.

10.13.3 In the event that an LME Clear Payment Default occurs and provided that the circumstances giving rise to the LME Clear Payment Default are continuing, the Member to which the relevant payment is due may issue a Close Out Netting Notice to LME Clear.

10.13.4 In the event that an LME Clear Insolvency Default occurs and provided that the circumstances giving rise to the LME Clear Insolvency Default are continuing, any Member other than a Defaulting Member may issue a Close Out Netting Notice to LME Clear.

10.13.5 Any Close Out Netting Notice issued by a Member must be in writing and must specify the date from which all Contracts to which the Member is a party shall be liquidated and terminated (the "**Close Out Date**"). The Close Out Date specified by the Member may not be later than the fifth (5^{th}) Business Day following the date of receipt by LME Clear of the Close Out Netting Notice.

10.13.6 In the event that a Member issues to LME Clear a valid Close Out Netting Notice in respect of an LME Clear Default, then:

(a) the Close Out Netting Notice shall be deemed to have been received by LME Clear no earlier than the time determined in accordance with Rule 2.9 (Notices) for the method by which the Notice was sent;

(b) all Open Contracts between the Member and LME Clear shall automatically terminate on the Close Out Date, such that on and from the Close Out Date neither LME Clear nor the Member shall be obliged to perform any further Payment Obligations or Delivery Obligations in respect of such Open Contracts, save for the settlement of the Close Out Amounts calculated in accordance with this Rule 10.13; and

(c) the Member shall, on or as soon as reasonably practicable following the Close Out Date (and in any event within five (5) Business Days of the Close Out Date):

(i) calculate the respective rights and liabilities of LME Clear and the Member in relation to the Contracts allocated to each Account of the Member that would (save for (b) above) be Open Contracts, in order to determine, in respect of each Account, a net amount due to the Member or LME Clear (the "**Close Out Amount**"); and

(ii) notify LME Clear of the Close Out Amounts calculated in respect of each Account, and by which party each Close Out Amount is payable, with a written statement containing a detailed explanation of the calculations applied by the Member to determine the Close Out Amounts.

10.13.7 In order to determine the Close Out Amount for an Account:

(a) the Member shall calculate, in respect of that Account:

(i) the aggregate rights of the Member to receive payments from LME Clear, whether current, contingent or future (an "**Aggregate Member Entitlement**"); and

(ii) the aggregate obligations of the Member to make payments to LME Clear, whether current contingent or future (an "**Aggregate Member Obligation**"),

in each case on the basis that:

(1) all costs necessarily or reasonably incurred by the Member in calculating any amounts payable and all costs necessarily or reasonably incurred by the Member in liquidating and terminating any Open Contract or re-establishing any associated hedge, in accordance with this Rule 10.13 shall be added to the Aggregate Member Entitlement;

(2) all payments that would be made in settlement or performance of any Contract shall be determined on the basis that such Contracts shall be assumed to have been required to be settled or performed on the Close Out Date in accordance with the Closing Prices for the Eligible Products under such Contracts published on the Business Day immediately preceding the Close Out Date. In the event that no Closing Prices are available the Member shall use such market prices, or official settlement prices, published by a relevant exchange or clearing house, as may be available on the Business Day immediately preceding the Close Out Date, provided that in selecting any such prices, the Member shall act in good faith and with a view to selecting a price that does not unfairly disadvantage LME Clear;

(3) the Aggregate Member Entitlements shall be expressed as a single sum in the Base Currency, as a positive figure;

(4) the Aggregate Member Obligations shall be expressed as a single sum in the Base Currency, as a negative figure; and

(5) in the event that, in order to make such calculation, the Member needs to convert any amounts denominated in any other currency into the Base Currency in order to calculate the Aggregate Member Entitlements and Aggregate Member Obligations, such conversion shall be effected at such rate prevailing on the date of calculation as the Member may reasonably select, provided that in selecting such rate, the Member shall act in good faith and with a view to selecting a rate that does not unfairly disadvantage LME Clear; and

(b) the Aggregate Member Obligation on each Account shall be set off against the Aggregate Member Entitlement on that Account in order to produce a single net sum for that Account, such net sum being the Close Out Amount in respect of that Account.

10.13.8 In the event that the Close Out Amount in respect of an Account is:

(a) a positive amount, LME Clear shall pay such Close Out Amount to the Member;

(b) a negative amount, the Member shall pay such Close Out Amount to LME Clear,

in each case as soon as reasonably practicable, and in any event no later than five (5) Business Days following the Business Day on which the Member notified LME Clear of such Close Out Amount in accordance with Rule 10.13.6 above. The Close Out Amount shall be paid in the Base Currency.

10.13.9 Any Close Out Amount that is not paid when due in accordance with Rule 10.13.8 above shall accrue interest, at the Relevant Rate for each day that such Close Out Amount remains unpaid.

10.13.10 For the avoidance of doubt, the Member's rights under this Rule 10.13 are additional to, and shall not be construed to limit or exclude any other rights that the Member may have under these Rules or Applicable Law.

10.14 ALLOCATION OF NON-DEFAULT LOSSES

10.14.1 In this Rule 10.14:

(a) "**Maximum Potential Non-Default Losses**" means, at any time, the total exposure of LME Clear to Non-Default Losses being the value at that time of LME Clear's investment portfolio (being all investments excluding Securities Collateral provided by Members) and all credit balances of cash accounts held by LME Clear;

(b) "**NDL Payment**" means, in relation to a Non-Default Loss, a payment made or (as the case may be) to be made by a Member to LME Clear equal to:

(i) the Non-Default Loss, less the amount of LME Clear's own funds applied by LME Clear pursuant to Rule 10.14.2,

(ii) multiplied by the Member's NDL Percentage;

(c) "**NDL Payment Period**" means, in relation to a demand by LME Clear for NDL Payments from the Members, the period of thirty (30) days ending on the third (3rd) day before the date of the demand;

(d) "**NDL Percentage**" means, in relation to a Member, the proportion (expressed as a percentage) that (1) the daily average of the Member's Initial Margin Requirement over the NDL Payment Period bears to (2) the daily average of all Members' Initial Margin Requirement over the NDL Payment Period;

(e) "**Net Recoveries**" means, in relation to a Non-Default Loss, any recovery or receipt of any kind (including by way of set-off) made by LME Clear relating to or arising from the circumstances giving rise to the Non-Default Loss;

(f) "**Non-Default Loss**" means a Loss incurred by LME Clear, including any loss of any asset or cash, pursuant to a default by any Treasury Counterparty;

(g) "**Reporting NDL Percentage**" means a version of the NDL Percentage that is calculated with reference to a single day, rather than an average over the NDL Payment Period, in order to estimate the Member's Maximum Potential Non-Default Losses for the purposes of LME Clear's monthly report to Members;

(h) "**Treasury Counterparty**" means:

(i) any counterparty to any transaction undertaken by LME Clear in connection with LME Clear's treasury and/or investment management activities;

(ii) any issuer of any securities (including Investment Securities) that is the subject of LME Clear's treasury and/or investment management activities;

(iii) any issuer of any securities (including Investment Securities) held by LME Clear as Asset Cover or as an asset of LME Clear;

(iv) any counterparty to a transaction in connection with LME Clear's treasury and/or investment management activities (including deposit-taking institutions) appointed by LME Clear to hold cash, including Cash Cover;

(v) any investment agent or investment manager providing any service to LME Clear in connection with LME Clear's treasury management or investment management activities, that involves the holding of, or dealing with, any Investment Securities, Asset Cover or other assets belonging to LME Clear; and/or

(vi) any LMEsword Depository or Warehouse,

but excluding any Settlement Bank, Custodian or Securities System Operator (that in any such case does not fall within (v) or (vi) above) providing a service to LME Clear that involves the holding of any Asset Cover or any assets belonging to LME Clear.

10.14.2 If a Non-Default Loss occurs, LME Clear shall meet that loss in the following order:

(a) first, from LME Clear's own funds (subject to Rule 10.14.3); and

(b) then, by making demand on every Member for an NDL Payment (subject to Rule 10.14.4).

This Rule 10.14.2 is subject to Rule 10.14.10.

10.14.3 The total amount that LME Clear is obliged under Rule 10.14.2(a) to deduct from its own funds shall not exceed the amount of regulatory capital maintained by LME Clear from time to time for the purpose of meeting its obligations pursuant to Article 4 (*CCP capital requirements for credit, counterparty and market risks*) of the EMIR Level 2 Capital Requirements.

10.14.4 Upon receiving a demand for an NDL Payment from LME Clear pursuant to Rule 10.14.2(b), each Member shall immediately pay to LME Clear such sum in full in the currency demanded without set-off, withholding, counterclaim or deduction of any kind and, without prejudice to Rule 2.18 (*Set-Off*), LME Clear may, without further notice to or consent from each such Member, immediately debit all or part of any such demanded NDL Payment from the Collateral maintained on the House Account of the Member.

10.14.5 In the event that, subsequent to the exercise of its powers under this Rule 10.14, LME Clear makes any Net Recoveries relating to the underlying circumstances which gave rise to any Non-Default Loss, LME Clear shall distribute such Net Recoveries on the following basis:

(a) first, to all Members in proportion to the NDL Payments made by each such Member in relation to such Non-Default Loss, and limited to the amount of NDL Payments made by each such Member; and

(b) then, to LME Clear for its own account.

10.14.6 Any determination made by LME Clear pursuant to this Rule 10.14 shall be final and binding on each Member and shall not be capable of challenge or subject to dispute.

10.14.7 The procedure set out in this Rule 10.14 shall apply each time there is a Non-Default Loss.

10.14.8 Following a Non-Default Loss, LME Clear shall use reasonable efforts to make Net Recoveries.

10.14.9 LME Clear will provide a monthly report to each Member for use by such Member in calculating its maximum liability at that time for Non-Default Losses.

10.14.10 Where and to the extent that any Non-Default Loss is also a Counterparty Loss, LME Clear may take such steps to meet that loss as may be permitted in accordance with its rights under Rule 10.6.4 (*Counterparty Loss*). In such circumstances, such loss shall be treated as a Non-Default Loss under this Rule 10.14 only where and to the extent that such Counterparty Loss is not fully discharged by the application of LME Clear's other rights under these Rules.

10.14.11 This Rule 10.14 is subject, in respect of any Member that resigns in accordance with Rule 10.10.9(b), to Rule 10.10.9(d).

RULE 11 - SETTLEMENT FINALITY

11.1 IRREVOCABILITY OF TRANSFER ORDERS

11.1.1 For the purposes of the Settlement Finality Regulations, LME Clear shall specify the time at which Transfer Orders:

(a) take effect and are entered into the Clearing System; and

(b) become irrevocable.

11.1.2 A Transfer Order shall not be revoked at any time after it becomes irrevocable as in accordance with Rule 11.1.1(b).

11.1.3 The specification of the matters described in Rule 11.1.1 shall be as set out in the Settlement Finality Procedure.

RULE 12 - COMPRESSION

12.1 AVAILABILITY

Election for Compression

12.1.1 A Member may elect for Contracts allocated to any Account of that Member to be Compressed with other Contracts allocated to that Account, subject to and in accordance with the provisions of this Rule 12.

12.1.2 A Member may elect for an Account to be subject to either:

(a) Manual or File Based Compression; or

(b) Automatic Compression.

12.1.3 In order for a Member to elect for Compression to be applied to Contracts in an Account of that Member, the Member must submit an updated reference data form to LME Clear (a "**Compression Request**"), detailing:

(a) the Account(s) to which Compression should apply;

(b) whether the Account should be subject to:

(i) Manual or File Based Compression; or

(ii) Automatic Compression; and

(c) the frequency at which Compression shall be applied (which will be either daily, weekly or monthly and will determine the Business Day on which a Compression Run will be applied in accordance with the methodology set out in the DSS),

together with such other information, representations and confirmations as may be required in connection with such Compression Request. The Member must also submit an updated reference data form to LME Clear to cancel an election for Compression or to change the frequency of Compression.

12.1.4 Automatic Compression shall only be available in respect of:

(a) House Accounts;

(b) Direct Individual Segregated Client Accounts; and

(c) Indirect Individual Segregated Client Accounts.

Compressible Accounts

12.1.5 Compression may be applied in respect of an Account where:

(a) the requirements of Rule 12.1.3 have been satisfied; and

(b) there are Eligible Compressible Contracts that are capable of being Compressed,

(such Account being a "**Compressible Account**"). Notwithstanding the foregoing, Gross Omnibus Segregated Client Accounts shall not be Compressible Accounts.

Eligible Compressible Contracts

12.1.6 Compression may be applied only in respect of Contracts for Eligible Products that are Eligible Compressible Contracts.

12.1.7 Contracts with the following features will be "**Eligible Compressible Contracts**":

(a) the Contracts must be in respect of an Eligible Product that is denoted in Annex 1 (*Eligible Products*) as being "capable of compression" ;

(b) the Contracts must have the same Core Economic Terms;

(c) the Contracts must not have been allocated to the relevant Account on the same Business Day as that on which Compression is to be applied; and

(d) where the Transactions that resulted in the formation of the Contracts also resulted in the formation of Underlying Client Trades, the same Client or Indirect Client, as applicable, is a party to each such Underlying Client Trade.

12.1.8 The effect of Rule 12.1.7(d) is that:

(a) where a Direct Net Omnibus Segregated Client Account is a Compressible Account, Compression may be applied only to Contracts that correspond to Underlying Client Trades relating to the same Client; and

(b) where an Indirect Net Omnibus Segregated Client Account is a Compressible Account, Compression may be applied only to Contracts that correspond to Underlying Client Trades relating to the same Indirect Client.

12.1.9 Compression may only be applied on a per-Account basis. This means that Contracts allocated to different Accounts cannot be Compressed together.

12.2 COMPRESSION PROCESS

Manual or File Based Compression

12.2.1 Where a Compressible Account is subject to Manual or File Based Compression, a Compression Run may be applied at such frequencies as are specified by the Member in the Compression Request relating to that Account and in accordance with the following process.

(a) On the Business Day on which a Compression Run is due to be applied to a Member's Compressible Account, a Member may submit a request to LME Clear for Compression to be applied to an Account:

(i) by selecting the Eligible Compressible Contracts that are to be subject to Compression via the LMEmercury GUI (such request being a request for Manual Compression); or

(ii) by submitting to LME Clear a file, in a format specified by LME Clear, identifying the Eligible Compressible Contracts that are to be subject to Compression (such request being a request for File Based Compression).

(b) Such request must be made not later than the cut-off time specified in the DSS as the latest time by which a request for Compression may be submitted on the Business Day on which the Compression Run is to be applied. Any request received later than the cut-off time will not be implemented.

(c) Following its receipt of such request, and not later than the relevant time specified in the DSS, LME Clear will prepare a Compression Proposal which the Member can access in the LMEmercury GUI.

(d) Once the Compression Proposal becomes available, the Member must promptly, and in any event not later than the cut-off time specified in the DSS:

(i) review the Compression Proposal; and either

(ii) cancel the proposed Compression Run via the LMEmercury GUI if there are any errors in the Compression Proposal or the Member does not wish Compression to take effect for any reason, including for the avoidance of doubt, where the Compression Proposal applies Compression to Contracts that cannot be Compressed due to the requirement in Rule 12.1.7(d) not being satisfied; or

(iii) notify LME Clear via the LMEmercury GUI if it agrees that the Eligible Compressible Contracts in the Compressible Account shall be Compressed in the manner described in the Compression Proposal.

(e) In the event that LME Clear receives a notification pursuant to Rule 12.2.1(d)(ii) that the Compression Proposal is erroneous in any way, the Compression Run shall not be applied to the Account, unless the Member submits another request to LME Clear for Compression to be applied to an Account and completes the process set out in this Rule 12.2.1 prior to the cut-off time specified in the DSS. In the event that a Member does submit another request to LME Clear for Compression to be applied to an Account, this Rule 12.2.1 shall apply to such request on the basis that it has been made in accordance with Rule 12.2.1(a).

(f) In the event that LME Clear does not receive a notification pursuant to Rule 12.2.1(d)(iii) that the Member agrees to the Compression Proposal by the relevant cut-off time, then LME Clear shall not apply the Compression Run.

(g) In the event that LME Clear receives a notification pursuant to Rule 12.2.1(d)(iii) that the Member agrees to the Compression Proposal, by the relevant cut-off time, then LME Clear shall apply the Compression Run.

(h) In the event that a Member's Compressible Account is subject to Automatic Compression and the Member wishes to request Manual or File Based Compression in accordance with Rule 12.2.1(a) on the same day as Automatic Compression is due to be applied to contracts in that Compressible Account, the Member must first cancel the proposed Compression Run in accordance with Rule 12.2.2(c)(ii).

Automatic Compression

12.2.2 Where a Compressible Account is subject to Automatic Compression, Compression will be applied in accordance with the following process.

(a) A Compression Run may be applied to a Compressible Account at such frequencies as are specified by the Member in the Compression Request relating to that Account.

(b) On the Business Day on which the Compression Run is due to be applied to a Member's Compressible Account, LME Clear will prepare a Compression Proposal which the Member can access in the LMEmercury GUI.

(c) Once the Compression Proposal becomes available, the Member must promptly, and in any event not later than the cut-off time specified in the DSS:

(i) review the Compression Proposal; and

(ii) cancel the proposed Compression Run via the LMEmercury GUI if there are any errors in the Compression Proposal or the Member does not wish Compression to take effect for any reason, including for the avoidance of doubt, where the Compression Proposal applies Compression to Contracts that cannot be Compressed due to the requirement in Rule 12.1.7(d) not being satisfied.

(d) In the event that LME Clear receives a cancellation pursuant to Rule 12.2.2(c)(ii) that the Compression Proposal is erroneous in any way, the Compression Run shall not be applied to the Account, unless the Member submits a request in accordance with 12.2.1(a) and completes the process set out in 12.2.1.

(e) In the event that LME Clear does not receive a notification pursuant to Rule 12.2.2(c)(ii) that the Compression Proposal is erroneous in any way or that it does not want the Compression to take effect, by the relevant cut-off time, then LME Clear shall apply the Compression Run.

Compression Proposals

12.2.3 LME Clear shall develop each Compression Proposal in accordance with the methodology set out in the DSS.

12.2.4 A Compression Proposal shall specify the Post-Compression Contracts that would be in the Compressible Account following the implementation of the Compression Run.

12.2.5 The Post-Compression Contracts identified in a Compression Proposal will represent the application of the following process:

(a) first, Eligible Compressible Contracts with the same direction will be aggregated (the effect of which will be that any Post-Compression Contract resulting from aggregation will have a notional value that is the sum of the notional values of the Eligible Compressible Contracts that were so aggregated); and

(b) second, Eligible Compressible Contracts with opposite directions will be netted (the effect of which will be that any such Post Compression Contract resulting from netting shall have a notional value that is the net of the notional values of the Eligible Compressible Contracts that were so netted),

subject in each case to:

(i) such modifications as may be specified in the methodology set out in the DSS; and

(ii) the qualifications set out in Rule 12.2.7 below.

12.2.6 For the purposes of Rule 12.2.5:

(a) Contracts have the "same direction" where under each Contract the same parties are Buyer and Seller respectively; and

(b) Contracts have the "opposite direction" where the Buyer under one Contract is the Seller under the other Contract.

12.2.7 Compression must be effected so as to ensure that:

(a) for Eligible Products for which the Variation Margin Requirement is calculated on the basis of the Discounted Contingent Variation Margin (or DCVM) approach, the DCVM attributable to the Post-Compression Contracts upon Compression shall be the same as the sum of the DCVM attributable to the Eligible Compressible Contracts immediately prior to Compression;

(b) the Post-Compression Contracts are allocated a notional Market Value, that is within a maximum tolerance (set out in the DSS) of the previous day's Closing Price relating to any Eligible Compressible Contract that was included in the Compression Run;

(c) Compression may not be permitted to result in Post-Compression Contracts having a zero or negative notional Market Value; and

(d) Compression shall not, solely by itself, result in any increase in a Member's Margin Requirement.

Time and Effect of Compression

12.2.8 Compression shall take effect at the Compression Time. Following the implementation of a Compression Run, LME Clear will issue a report to the Member confirming the implementation of the Compression Run and the Compression Time.

12.2.9 Upon Compression:

(a) the Member and LME Clear (each acting as principal) shall be released from further obligations towards one another under the Eligible Compressible Contracts specified in the Compression Proposal and their respective rights against one another under such Contracts shall be cancelled; and

(b) the Post-Compression Contracts specified in the Compression Proposal shall, by operation of this Rule, come into full force and effect between the Member and LME Clear, such that the Member and LME Clear (each acting as principal) shall assume obligations towards one another and/or acquire rights against one another under the Post Compression Contracts.

12.2.10 For the avoidance of doubt, where, prior to a Compression Run, the clearing of a Transaction had been represented by one or more Eligible Compressible Contracts, following the Compression Run, the clearing of such Transaction shall be represented by the Post-Compression Contracts that resulted from the Compression of such Eligible Compressible Contracts.

12.2.11 For the avoidance of doubt, a Post-Compression Contract may have a notional Market Value that is different from the previous day's Closing Price relating to the Eligible Compressible Contracts that were Compressed in order to produce such Post-Compression Contract. The basis on which such notional Market Value shall be established is explained in further detail in the DSS.

12.2.12 For the avoidance of doubt, the termination of any Eligible Compressible Contract specified in a Compression Proposal, pursuant to Rule 12.2.9(a), shall be conditional

upon the creation and coming into force of the Post-Compression Contracts specified in the Compression Proposal, pursuant to Rule 12.2.9(b).

12.3 DISCRETION OF LME CLEAR

12.3.1 The application of any Compression Run shall be at the discretion of LME Clear and LME Clear shall be under no obligation to implement any Compression Run, notwithstanding:

(a) any request by a Member to do so; or

(b) any other provision of this Rule 12.

12.3.2 In the event that LME Clear declines to implement a Compression Run, LME Clear shall notify the Member.

12.4 OBLIGATIONS OF THE MEMBER

12.4.1 Each Member that requests the application of Compression to any of its Accounts must:

(a) submit a Compression Request in accordance with Rule 12.1.3;

(b) ensure that LME Clear is promptly notified of any change of circumstances that would cause the information provided in any previously submitted Compression Request to no longer be correct;

(c) promptly review each Compression Proposal produced by LME Clear;

(d) make any notifications required by this Rule 12 in a timely manner;

(e) ensure that the Member is at all times able to reconcile each Contract allocable to an Account with the Transaction that is cleared by such Contract;

(f) ensure that under no circumstances shall the Member:

(i) submit a request for Compression;

(ii) approve a Compression Proposal; or

(iii) in relation to Automatic Compression, fail to cancel a proposed Compression Run,

that would result in the Compression of two Contracts that do not satisfy the condition in Rule 12.1.7(d);

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

(h) ensure that any Client is promptly notified of the implementation of any Compression Run in relation to any Contract that relates to any Underlying Client Trade to which that Client is a party; and

(i) take all necessary and appropriate steps to ensure that, upon the Compression of any Contracts, a corresponding netting or aggregation takes effect in respect of any Transactions that remain in force between the Member and any other party,

or between any Client and any other party, and that are cleared by such Contracts. Without limitation to the foregoing, the Member shall ensure that the terms governing any such Transaction shall specify that such netting or aggregation shall take effect automatically upon Compression, in order to avoid the creation of a mis-match between the positions between the counterparties to the relevant Transaction and the Positions represented by the corresponding Post-Compression Contracts.

12.4.2 Without prejudice to the generality of Rule 2.3.5, each Member shall indemnify and hold harmless each LME Clear Party against any and all losses, damages, claims, liabilities, costs or expenses (whether in contract, tort, warranty, strict liability, trust, breach of statutory duty or any other legal theory) incurred by the LME Clear Party arising directly out of or in connection with such Member's breach of any of its obligations pursuant to Rule 12.4.1 above, save to the extent that the losses, damages, claims, liabilities, costs or expenses arise as a result of the fraud, fraudulent misrepresentation, negligence, wilful default or bad faith of the LME Clear Party. The Member shall not be liable to an LME Clear Party under this indemnity for loss of goodwill, loss of business opportunity or loss of anticipated savings or profits.

LME CLEAR LIMITED

PROCEDURES

MEMBERSHIP PROCEDURE

PART A – INTRODUCTION AND GENERAL MATTERS

1. INTRODUCTION

1.1 These Membership Procedures form part of, and shall be read in conjunction with, the Rules and are legally binding on Members in their entirety and only to Posting Affiliates and Posting Clients to the extent such is relevant for the purposes of an Affiliate Posting Structure or Client Direct Posting Structure, respectively. Terms defined in the Rules have the same meaning in these Membership Procedures. In the event of any conflict or inconsistency between the Rules and these Membership Procedures, the Rules shall prevail.

1.2 These Membership Procedures are arranged in to the following Parts:

(a) Part A: introduction and general matters;

(b) Part B: applications for Membership and on-going administration of Membership;

(c) Part C: procedures for the handling of complaints;

(d) Part D: disciplinary procedures; and

(e) Part E: appeals procedures.

2. DEFINITIONS

2.1 In these procedures, the following words and expressions shall bear the means set opposite them:

"**Act of Misconduct**" means:

(a) any breach of the Rules by a Member;

(b) a failure to pay any fine or order for costs imposed by a Disciplinary Committee that has not been overturned by an Appeal Committee;

(c) providing information (including information for the purpose of obtaining Membership) which is false, misleading or inaccurate in a material particular;

(d) ceasing to meet the Membership Criteria without notifying LME Clear;

(e) any other act or omission by a Member that is specifically identified as an Act of Misconduct under the Rules;

(f) any breach of the Rules by a Posting Affiliate (such breach being deemed a breach of the Rules by the related Member);

(g) any breach of any Affiliate Documentation by a Member or Posting Affiliate (in the case of a Posting Affiliate, such breach being deemed a breach of the Affiliate Documentation by the related Member);

(h) any breach of the Rules by a Posting Client (such breach being deemed a breach of the Rules by the related Member); or

(i) any breach of any Client Direct Posting Documentation by a Member or Posting Client (in the case of a Posting Client, such breach being deemed a breach of the Client Direct Posting Documentation by the related Member);

"**Additional Capital**" means: (a) equity reserves which do not constitute Permanent Capital (distributable or otherwise); (b) profit and loss reserves; (c) redeemable shares; and (d) subordinated loans (subject to the conditions in Membership Procedure B5.6 to 5.8;

"**Appeal Committee**" means a committee appointed pursuant to Membership Procedure E1.1;

"**Application Documentation**" means the standard form application documentation, including the application questionnaire, required by LME Clear to be submitted by each Applicant for Membership, in such revised or updated form that LME Clear may maintain from time to time;

"**Defence**" has the meaning given in Membership Procedure D3.1;

"**Disciplinary Committee**" means a committee appointed pursuant to Membership Procedure D4.1;

"**Enforcement Notice**" has the meaning given in Membership Procedure D2.2;

"**LME Clear Membership Application Form**" means the application form that LME Clear provides to potential applicants seeking to obtain Membership of LME Clear;

"I**ndependent Complaints Commissioner**" means the independent person appointed in accordance with Membership Procedure C4.2;

"**Intangible Fixed Assets**" means non–financial fixed assets that do not have physical substance but are identifiable and controlled by the entity through custody or legal rights (e.g. goodwill; intellectual property);

"**LME Clear Compliance Department**" means the department within LME Clear that is responsible for ensuring that LME Clear adheres to all relevant laws and regulatory requirements;

"**Net Capital**" means Permanent Capital plus Additional Capital, less Intangible Fixed Assets;

"**NoI**" has the meaning given in Membership Procedure D1.3 of these Procedures;

"**Permanent Capital**" means: (a) issued and fully-paid ordinary share capital; (b) issued and fully-paid preference share capital; and (c) funds in a share premium account and reserves not available for distribution (for the avoidance of doubt, if the relevant reserves are in deficit, the negative amount will be deducted from items (a) and (b) to calculate Permanent Capital); and

"**Relevant Parties**" means:

(a) the person or Member found to have committed the Act of Misconduct;

(b) all Members; and

(c) in all cases, the appropriate regulatory or other authorities, as LME Clear deems appropriate.

2.2 Any capitalised terms which are not defined in Membership Procedure A2.1 shall have the meaning given to them in Rule 1 (*Definitions and Interpretation*).

PART B – MEMBERSHIP

1. MEMBERSHIP CATEGORIES

1.1 The categories of Membership are as set out in Rule 3.1.

2. APPLICATIONS FOR MEMBERSHIP

2.1 Applications for Membership of LME Clear shall be made by providing LME Clear with:

(a) two original copies of the signed and undated Membership Agreement with evidence of authorised signatories;

(b) two original, signed and undated, copies of each Security Document specified by LME Clear, with evidence of authorised signatories;

(c) the information and documents specified in the Application Documentation; and

(d) the application fee specified by LME Clear in the Application Documentation or on the Website.

2.2 The Applicant shall specify in its application which category of Membership it is seeking to obtain and the Services in which it wishes to participate.

2.3 The Applicant shall specify in its application for Membership which types of business and Eligible Products it is seeking to clear through the Clearing System.

2.4 In relation to any application for Membership, LME Clear may:

(a) make all such enquiries about the Applicant and the Applicant's connected persons as LME Clear considers appropriate;

(b) request that the Applicant provides such information as LME Clear considers relevant;

(c) take all necessary steps to verify any information provided by the Applicant; and

(d) carry out a due diligence visit to the Applicant's premises in order to establish whether the Membership Criteria and/or any conditions imposed in accordance with Membership Procedure B:3.3 on a Member which is a Bridge Institution are satisfied.

2.5 The Applicant shall provide LME Clear with such additional information and respond to such enquiries as LME Clear may require under Membership Procedure B:2.4.

2.6 The information provided by an Applicant to LME Clear shall be subject to the confidentiality provisions and rights of disclosure set out in Rule 2.6 (*Confidentiality*).

2.7 LME Clear is under no obligation to process or make a decision in relation to an application within a specific time frame. However, LME Clear will ordinarily aim to make a decision on an application within eight (8) weeks of receipt from the Applicant of an application that LME Clear considers to be complete in all respects.

2.8 An application for Membership shall be dependent on the Applicant demonstrating that it meets the eligibility criteria set out in Membership Procedures B:3 and 4.

2.9 LME Clear may approve an application for Membership on a conditional basis, subject to the Applicant fulfilling certain conditions within a specified time frame. LME Clear may specify any of the Membership Criteria as a condition that can be satisfied between the time of conditional approval and the activation of the Member's ability to commence the submission of Transactions to LME Clear. For the avoidance of doubt, LME Clear will not permit a Member to commence the submission of Transactions to LME Clear until the Member has deposited the required Default Fund Contribution to LME Clear.

2.10 If the Applicant does not fulfil the relevant conditions within the specified time frame, LME Clear may elect to deem the relevant application for Membership to have been withdrawn. Where LME Clear makes such an election, the Applicant shall be required to re-apply for Membership if it still wishes to become a Member.

2.11 When an Applicant is granted Membership, it will receive:

(a) notification that its Membership application has been accepted;

(b) a copy of the Membership Agreement that is signed and dated by LME Clear; and

(c) details of any specific conditions (beyond those contained in the Membership Agreement) relating to the Applicant's Membership.

2.12 LME Clear may place restrictions on an Applicant's Membership, so that the Applicant would only be permitted to clear certain types of Transaction through LME Clear.

2.13 In the event that LME Clear determines that it will reject an Applicant's application for Membership:

(a) LME Clear shall notify the Applicant in writing and shall specify the reasons for such rejection; and

(b) the Applicant shall have a right to appeal the decision by submitting a written request to LME Clear for a hearing by the Appeal Committee to determine whether the application should have been rejected in accordance with Membership Procedure E.

2.14 In the event that LME Clear determines that it is necessary to apply different, or additional, criteria to any category of Applicant, in order to enable LME Clear to control the risks to the Clearing System posed by such Applicants, such criteria shall be set out in the Membership Procedures and shall be applied on a consistent basis to all Applicants to which such criteria relate.

3. MEMBERSHIP CRITERIA

3.1 An application for Membership shall be subject to the Applicant meeting the Membership Criteria set out in Membership Procedure B 3.1A below.

3.1A The Membership Criteria to be met by an Applicant, and by any Member at all times following admission to Membership, shall include:

(a) meeting the conditions (if any) in the Membership Agreement;

(b) satisfying the criteria set out in the Application Documentation;

(c) satisfying the relevant criteria for the type of business the Applicant wishes to clear, as set out in Membership Procedure B4;

(d) satisfying the minimum Net Capital requirements, as set out in Membership Procedure B5 or such greater capital requirements as may be set by LME Clear;

(e) maintaining appropriate banking arrangements satisfying any specific requirements published by LME Clear from time to time or specifically notified to the Applicant;

(f) maintaining appropriate arrangements with the Approved Delivery Facilities specified in the Clearing Procedures for those Eligible Products that the Applicant wishes to clear;

(g) having executed all relevant documentation required by the Approved Transaction Platforms for the Eligible Products that the Applicant wishes to clear and maintaining such arrangements in place at all times;

(h) complying with all Applicable Law (including maintaining all required regulatory authorisations in all jurisdictions in which it is required to maintain such authorisations);

(i) maintaining an administrative support function that:

(i) is appropriately separated from the Applicant's trading desks;

(ii) has robust systems and records; and

(iii) includes staff, adequate in number and experience, who understand the business of LME Clear and the Member;

(j) meeting the technical equipment requirements as specified by LME Clear from time to time;

(k) having adequate personnel, facilities, systems and procedures to enable the Applicant to satisfactorily handle transactions and communications with LME Clear, fulfil anticipated commitments to, and meet the operational requirements of, LME Clear with necessary promptness and accuracy;

(l) successfully completing a default management 'fire-drill' in accordance with such requirements as LME Clear may have notified to the Applicant;

(m) completing any other testing and training requirements as specified by LME Clear from time to time;

(n) having received confirmation from LME Clear that the Applicant has satisfied LME Clear’s internal credit rating requirements;

(o) following admission to Membership, continuing at all times to satisfy LME Clear’s internal credit rating requirements;

(p) being approved as a Member by the Clearing Risk Committee; and

(q) satisfying the requirements specified in paragraph 3.1B below.

3.1B In addition to the requirements in paragraph 3.1A above, an application for Membership, and the continuation of a Member’s Membership, shall be subject to the Applicant or Member (as applicable):

(a) not being subject to any form of Sanctions, and the directors, officers, employees or agents of it or any of its Affiliates must not be subject to any form of Sanctions;

(b) not exposing LME Clear or any other Member to any risk of infringement of any applicable law, including relevant Sanctions;

(c) ensuring that any business conducted by it, or by or through any of its staff, shall not cause the Member or LME Clear or any of their staff to be in breach of any applicable laws and/or regulations, including without limitation any relevant Sanctions (except to the extent that any obligation or undertaking contemplated by this subsection would be in conflict with any applicable laws purporting to nullify or restrict the effect of foreign Sanctions or preventing boycotts);

(d) providing details of any order or transaction in metals derivatives, which if cleared through or reported to LME Clear, would take place in circumstances where the Member would be in breach of subsection (3.1(c)).

(e) having, implementing and maintaining policies and procedures which are adequate to ensure compliance with applicable Sanctions, and, at the request of LME Clear, promptly provide satisfactory evidence of such policies and procedures (including, without limitation, copies thereof) and of the adequate implementation and maintenance of such policies and procedures (except to the extent that any obligation or undertaking contemplated by this subsection would be in conflict with any applicable Laws purporting to nullify or restrict the effect of foreign Sanctions or preventing boycotts); and

(f) notifying LME Clear as soon as reasonably practicable upon becoming aware of any of the following:

(i) any Sanctions of which it has become the target;

(ii) any change to the Member such that it is or becomes incorporated, registered, located, organised, domiciled or resident in any jurisdiction subject to Sanctions;

(iii) any of its Affiliates, Clients, directors, officers, employees or agents or any of its Affiliates' directors, officers, employees, or agents, to its knowledge:

(1) being the target of any Sanction;

(2) being or becoming incorporated, registered, located, organised, domiciled or resident in any jurisdiction subject to Sanctions,

unless, in any case, the same is permitted pursuant to an exemption or exception in the applicable laws establishing the Sanctions or any regulations thereunder or subject to an applicable licence granted by all relevant governmental authorities under that applicable law.

3.2 It shall be a condition of Membership that each Member must at all times comply with the Membership Criteria.

3.3 Notwithstanding paragraphs 3.1, 3.1A, 3.1B and 3.2 above, where the Applicant is a Bridge Institution, LME Clear shall have the discretion to impose conditions on the Applicant in lieu of meeting the Membership Criteria. Such conditions shall be regularly reviewed to ensure that the Member has sufficient financial resources and operational capacity to meet its obligations under the Rules on an ongoing basis.

4. REQUIREMENTS FOR SPECIFIC TYPES OF BUSINESS

4.1 For the purpose of this Procedure, On-Exchange Business and OTC Business shall each be a "**type of business**".

On-Exchange Business: LME Base Products

4.2 Where the Applicant intends to clear On-Exchange Business in respect of LME Base Products:

(a) the Applicant shall apply to participate in the LME Base Service; and

(b) the Applicant shall be (or have applied to become):

(i) a Category 1 or 2 Member of LME where the application is to become a General Clearing Member; or

(ii) a Category 3 Member of LME where the application is to become an Individual Clearing Member.

On-Exchange Business: LMEprecious Products

4.3 Where the Applicant intends to clear On-Exchange Business in respect of LMEprecious Products,

(a) the Applicant shall apply to participate in the LMEprecious Service; and

(b) the Applicant shall be (or have applied to become):

(i) an "LMEprecious General Clearing Member" of the LME, where the application is to become a General Clearing Member; or

(ii) an "LMEprecious Individual Clearing Member" of the LME, where the application is to become an Individual Clearing Member.

On-Exchange Business: Common minimum Net Capital requirements

4.4 The minimum Net Capital requirements applicable to any given Member to clear On-Exchange Business may vary depending on the Member's Membership category. (The requirements may be satisfied in foreign currency equivalents). As of the date of this current issue of the Rules Members shall hold a minimum Net Capital of US$30 million.

OTC Business *[Service not currently available]*

4.5 Where the Applicant intends to clear OTC Business in respect of Bullion, the Applicant shall have executed all relevant membership documentation issued by LME in order to access the services of LME Smart.

4.6 The minimum Net Capital requirements applicable to any given Member to clear OTC Business may vary depending on the Member's Membership category. (The requirements may be satisfied in foreign currency equivalents). As of the date of this current issue of the Rules, all Members shall hold a minimum Net Capital of US$30 million.

Regulatory Status for General Clearing Members

4.7 Subject to paragraphs 4.8 and 4.9 below, any Applicant or Individual Clearing Member that intends to become a General Clearing Member shall:

(a) unless LME Clear agrees otherwise, be:

(i) an authorised person or exempt person within the meaning of Part III of FSMA that is permitted under Applicable Law to arrange, or otherwise clear transactions with or for third parties;

(ii) a credit institution as defined in Article 4.1.1 of Regulation (EU) No 575/2013 of the European Parliament and of the Council[3];

(iii) an investment firm as defined in Article 4.1 of Directive 2014/65/EU of the European Parliament and of the Council other than a person to whom Article 2 applies[4]; or

(iv) any undertaking whose head office is outside the European Community and whose functions correspond to those of a credit institution or investment firm as defined in (ii) and (iii) above; and

(b) be regulated in the conduct of its business under the securities and/or banking legislation of an EEA State or of any other country or countries acceptable to LME Clear, and shall not be prohibited by such legislation or its Regulator from becoming a General Clearing Member or from performing the obligations of a Member under the Rules.

Regulatory Limitations

4.8 In the event that: (i) the UK ceases to be a member of the EEA and (ii) LME Clear is not permitted under Applicable Law to provide clearing services to clearing members in the EEA, paragraphs 4.7(a)(ii) and (iii) shall be dis-applied.

4.9 For the avoidance of doubt, LME Clear shall be under no obligation to provide clearing services to, or accept or maintain as a Member, any person where to do so would cause LME Clear to be in breach of any Applicable Law.

5. NET CAPITAL REQUIREMENTS AND CALCULATION

Minimum Net Capital Requirements

5.1 Members shall at all times hold sufficient capital to meet their minimum Net Capital requirements.

5.2 Where a Member clears for multiple types of business, the minimum Net Capital requirement shall be the higher of the minimum Net Capital requirements applicable to the Member for each of those types of business.

Additional Net Capital Requirements

5.3 LME Clear may require a Member to hold additional Net Capital where, in the opinion of LME Clear, the Member's minimum Net Capital is insufficient having regard to the amount and type of business that the Member carries out.

[3] That is, the Capital Requirements Regulation, for the purposes of the application of Rule 1.2.4

[4] That is, MiFID II, for the purposes of the application of Rule 1.2.4

Permanent Capital and Additional Capital

5.4 LME Clear may vary the definition of Permanent Capital or Additional Capital as it thinks appropriate.

5.5 Members should contact LME Clear if they are uncertain as to whether certain instruments fall within the definition of Permanent Capital or Additional Capital.

Acceptability of Subordinated Loans

5.6 A Member may include subordinated loans as part of its Additional Capital provided that:

(a) the debt under such loan constitutes no more than fifty per cent (50%) of its minimum Net Capital requirement, unless LME Clear has provided its prior written consent to such debt constituting a greater percentage; and

(b) the Member undertakes that the loans will not be repaid without the prior consent of LME Clear.

5.7 In the event that a Member intends:

(a) for the debt under a subordinated loan to constitute more than fifty per cent (50%) of its minimum Net Capital requirement; or

(b) to repay a subordinated loan that is included as part of its Additional Capital,

the Member shall provide LME Clear with not less than ten (10) Business Days' prior notice of its intention to do so, specifying the date on which it intends such arrangement to take effect, and requesting LME Clear's consent to implement such arrangement. LME Clear may, acting reasonably, specify such conditions as LME Clear considers appropriate to the granting of any such consent.

5.8 For the avoidance of doubt, a Member may include subordinated loans from a parent company as part of its Additional Capital.

Acceptability of other long-term loans

5.9 LME Clear may recognise long-term loans other than subordinated loans in the calculation of Additional Capital.

Loan terms

5.10 Where loans (whether subordinated or otherwise) are included in a Member's Net Capital, LME Clear may require the relevant Member to provide LME Clear with details of the terms governing the relevant loans.

6. ON-GOING REPORTING REQUIREMENTS

General requirements

6.1 Each Member shall provide the following information to LME Clear when reasonably requested by LME Clear:

(a) such information in relation to the Member, its Posting Affiliate, its Clients or its Transactions as LME Clear may request (which may, for the avoidance of doubt, include information on commercial, regulatory or compliance matters and any information requested pursuant to Rule 5.3.1 or 5.3.3);

(b) such information as LME Clear may specify regarding the Member's ability to continue to comply with the Membership Criteria or any conditions imposed pursuant to paragraph 3.3 above;

(c) up-to-date information relating to the documentation or information provided by the Member as part of its application for Membership (including without limitation the categories of information specified in Membership Procedures B3 and B4);

(d) such information as LME Clear may request regarding the owners and controllers of the Member;

(e) such information as LME Clear may request regarding the directors and senior managers of the Member and any personnel who are responsible for the day-to-day management or operation of any function related to (i) the Transactions and Contracts that are subject to clearing by LME Clear or (ii) the Member's interaction with any aspect of the Clearing System; and

(f) any other information that LME Clear is permitted to request from the Member in accordance with any provision of the Rules.

For the avoidance of doubt, it shall always be reasonable for LME Clear to request information from a Member in the event that LME Clear considers that such information is necessary in order to enable LME Clear to assess the risk posed by a Member to the Clearing System or the Member's compliance with the Rules.

Financial accounts

6.2 Members shall provide LME Clear with a copy (in the English language) of each version of their annual financial accounts, together with a statement that their auditors have reviewed and approved the relevant financial accounts, within four (4) months of the Member's financial year-end.

6.3 LME Clear may also require any Member to provide the financial accounts of the Member's ultimate or immediate Parent Undertaking.

Regulatory returns

6.4 Unless LME Clear agrees otherwise, where a Member is regulated by the Prudential Regulation Authority or the Financial Conduct Authority, Members shall provide LME Clear with copies of all their regulatory returns (e.g. regulatory returns made to the Prudential Regulation Authority or the Financial Conduct Authority).

6.5 Members shall provide LME Clear with copies of any reports or notifications to a Regulator by the Member in relation to the Member's financial status, exposure to risk and compliance with any regulatory capital requirement or other financial requirement imposed on the Member by the Regulator where such reports or notifications or the information contained therein would be materially relevant to LME Clear's assessment of the Member's financial condition, credit worthiness, or fitness to remain a Member.

7. NOTIFICATION REQUIREMENTS

General requirements

7.1 A Member shall promptly notify LME Clear, both orally and in writing:

(a) if the Member at any time ceases to satisfy, or reasonably considers that it may imminently cease to satisfy, any of the Membership Criteria or any conditions imposed pursuant to paragraph 3.3 above;

(b) if the Member becomes the subject of any investigation, inquiry or disciplinary process by its Regulator or by any other governmental or regulatory body;

(c) if any development occurs which would materially change the information provided to LME Clear by the Member in its application for Membership;

(d) if any event occurs that would entitle LME Clear to exercise its rights under Rule 10 (*Default*);

(e) if any matter arises that could affect the Member's ability to perform its obligations under the Rules;

(f) if there is a change in the Authorised Representatives designated by the Member pursuant to Membership Procedure B8;

(g) if there is a change in any Service Agent designated by the Member pursuant to Rule 2.13.3;

(h) if any circumstances arise that could result in the Member being unable to perform its obligations in respect of any Contract; or

(i) if the Member invokes a recovery plan, or consides a similar process,

and for the avoidance of doubt, a Member shall provide to LME Clear such information as the Member may be required to provide to LME Clear in accordance with the terms of any other provision of the Rules.

Changes of Ownership

7.2 A Member which is a body corporate shall notify LME Clear in writing of the name of any person for the time being holding, or having a beneficial interest in, ten per cent (10%) or more of any class of the equity share capital of the Member or of any Parent Undertaking of the Member, and of any change in such a holding or interest, within seven (7) days of the holding or interest, or a change therein, coming to the Member's notice.

7.3 The members of a partnership or an unincorporated association who are joint Members shall notify LME Clear in writing of the name of any person who becomes or ceases to be a partner of that partnership or member of that unincorporated association (as the case may be) within seven (7) days of that event coming to that joint Member's notice.

7.4 Upon receipt by LME Clear of any notice from a Member under Membership Procedure B7.2 or 7.3, LME Clear may review the suitability of the Member for Membership of LME Clear. LME Clear may require the Member to provide such additional information as LME Clear may from time to time consider material in the course of such review. If upon completion of the review LME Clear is not satisfied that the Member continues to satisfy the criteria for Membership of the relevant types of business to be cleared by the Member LME Clear shall consider whether to suspend the rights of the Member or to terminate its Membership.

7.5 **Fall in Net Capital or shareholder funds**

7.6 A Member shall immediately notify LME Clear if its Net Capital or shareholder funds fall to below:

(a) the Member's Net Capital requirement;

(b) any threshold prescribed by a Regulator in accordance with Applicable Law; or

(c) 85% of the amount detailed in its last annual financial accounts.

8. AUTHORISED REPRESENTATIVES

8.1 Each Member shall at all times have appointed at least one individual to act as its Authorised Representative. The Authorised Representatives appointed by a Member shall be the primary points of contact and liaison between LME Clear and the Member in relation to matters arising in connection with the operation of the Clearing System and the discharge of the parties' obligations under the Rules and Procedures.

8.2 The Member shall ensure that its Authorised Representatives are:

(a) appropriately knowledgeable and trained in relation to those aspects of the Clearing System for which they are appointed to liaise with LME Clear;

(b) appropriately empowered by the Member to take decisions on behalf of, and represent the interests of, the Member in relation to those aspects of the Clearing System for which they are appointed to liaise with LME Clear; and

(c) in their interactions with LME Clear, act in an open and co-operative manner, and be honest and truthful and not mislead or conceal any material matter.

8.3 The Member shall ensure that LME Clear is at all times in receipt of up-to-date contact details (including direct telephone number, office address and email address) of each Authorised Representative currently appointed by the Member.

8.4 In the event that LME Clear notifies the Member of any concerns regarding, or objection to, any Authorised Representative appointed by the Member, the Member shall take all reasonable steps to address LME Clear's concerns. In the event that the Member is unable to adequately address LME Clear's reasonable concerns, the Member shall replace the Authorised Representative.

9. OTHER CONDITIONS

9.1 It shall be a condition of Membership for a General Clearing Member that it complies at all times with any and all reporting and information requirements applicable to the maintenance of Client Accounts, as such requirements may be specified in Rules 4 (*Accounts*) and 5 (*Client Business and Portability Arrangements*), as amended from time to time.

9.2 LME Clear may, at any time, add to, vary or reduce the conditions that a Member shall continue to satisfy in order to retain its Membership of LME Clear where LME Clear has reasonable grounds to consider that such revised conditions are necessary in order to control the risks posed by the Member to the Clearing System. For the avoidance of doubt, LME Clear may modify the Membership Criteria applicable to a Member in order to impose additional disclosure and reporting obligations in relation to the financial affairs of the

Member or its Affiliates where LME Clear has reasonable grounds for concern regarding the Member's solvency or its continuing ability to satisfy the Membership Criteria.

10. CHANGES TO SERVICES AND MEMBERSHIP STATUS

10.1 A Member that participates in any Service may notify LME Clear that it wishes to participate in additional Service(s).

10.2 LME Clear may require a Member that wishes to participate in any additional Service or to otherwise change its Membership status to:

(a) provide any additional information that LME Clear may require in order to allow the Member to participate in the Service and/or change its Membership status, or

(b) demonstrate its compliance with any requirements specific to the Service or Membership status that LME Clear requires Members to satisfy in order to participate in the Service or to maintain such Membership status.

10.3 For the avoidance of doubt, any Member wishing to participate in a Service must:

(a) have obtained the relevant category of membership at the Approved Transaction Platform that corresponds to the nature of the clearing activity to be conducted by the Member in respect of the Service;

(b) have established appropriate arrangements, acceptable to LME Clear, to enable the Member to settle Contracts in connection with the Service; and

(c) comply with any requirements to provide Default Fund Contributions in respect of the specific Service.

10.4 A Member that participates in more than one Service may terminate its participation in a specific Service in accordance with process and requirements specified in Rule 3 (*Membership*).

11. CLIENT DIRECT POSTING STRUCTURE

Any Member that wishes to enter into Client Direct Posting Documentation with a Client in relation to a Designated Client Account must be (or have applied to become) a Category 1 or 2 Member of LME.

PART C – COMPLAINTS

1. SCOPE OF COMPLAINTS

1.1 LME Clear shall investigate Complaints made against LME Clear or its personnel.

1.2 Complaints may relate to:

(a) breaches of Applicable Clearing Regulations by LME Clear;

(b) breaches of the Rules by LME Clear; or

(c) acts or omissions affecting:

(i) the proper operation of LME Clear; or

(ii) the functions of LME Clear.

1.3 For the avoidance of doubt, any Complaint by a Member about another Member shall be made to LME Clear and shall be dealt with by LME Clear in accordance with the disciplinary proceedings set out in Membership Procedure D.

2. REGISTERING A COMPLAINT

2.1 Complaints shall be made in writing and signed by an Authorised Representative.

2.2 A Complaint should:

(a) include sufficient information to allow LME Clear to:

(i) properly identify the matter that is subject to the Complaint; and

(ii) establish the basis for any alleged loss by the Complainant;

(b) include a representation by the Complainant as to the date on which it became aware of the event that has given rise to the Complaint; and

(c) set out the remedy sought by the Complainant.

2.3 If insufficient information is provided, LME Clear may request further information.

2.4 Any information regarding the Complaint or obtained from the Complainant in the course of a subsequent investigation may be disclosed to third parties (for example, the Regulator) as LME Clear considers appropriate, subject to any other provision of the Rules.

2.5 Any Complaints shall be sent to the address set out below in an envelope marked "Complaint":

General Counsel
LME Clear Limited
10 Finsbury Square
London EC2A 1AJ
United Kingdom

2.6 Complaints shall be made within six (6) months of the date on which the Complainant became aware of the event to which the Complaint relates, provided that no Complaint may be made at any time after the third (3rd) anniversary of the date of the event to which the

Complaint relates. Any Complaint made after this deadline shall not be investigated by LME Clear.

2.7 There is no fee to make a Complaint.

3. PROCESSING A COMPLAINT

3.1 Complaints will be investigated by the LME Clear Compliance Department who may involve other staff at LME Clear or outside professional assistance as appropriate.

3.2 The inquiry will be conducted independently of any LME Clear personnel who may be involved in the subject matter of the Complaint.

3.3 LME Clear will aim to complete its investigation within three (3) months, or within such further period as the scope of the Complaint reasonably demands.

3.4 LME Clear will, insofar as it is consistent with its duties in operating LME Clear and its duties of confidentiality to Members, advise the Complainant and any other relevant parties of the outcome of the investigation, and in particular whether it considers that there are good grounds for Complaint against LME Clear or its personnel. LME Clear will also advise the Complainant of recommended action arising from the investigation of the Complaint.

4. REFERRING COMPLAINTS TO LME CLEAR'S INDEPENDENT COMPLAINTS COMMISSIONER

4.1 If the Complainant is dissatisfied with the investigation of the Complaint or with the reported outcome of the investigation, he may request that the Complaint is referred to an Independent Complaints Commissioner. Such request shall be made within fifteen (15) Business Days of the Complainant being notified of the outcome of the investigation.

4.2 The Independent Complaints Commissioner shall be appointed for the purposes of a Complaint by the Centre for Effective Dispute Resolution (CEDR). The individual appointed as the Independent Complaints Commissioner shall:

(a) be independent of LME Clear and the Complainant (meaning that the individual is not, and has not been, an officer, director or employee of LME Clear, the Complainant or their Affiliates);

(b) have appropriate knowledge and experience of how clearing is carried out by LME Clear, including the Rules and any Applicable Law relevant to the Complaint; and

(c) have appropriate experience of the market to which the Complaint relates.

4.3 LME Clear shall be responsible for co-ordinating the appointment of the Independent Complaints Commissioner. Unless there are reasons for a delay which are beyond the reasonable control of LME Clear, the Independent Complaints Commissioner shall be appointed within fifteen (15) Business Days of the request under Membership Procedure C4.1 being received by LME Clear.

4.4 The Independent Complaints Commissioner may:

(a) call on all appropriate documentation from all relevant parties to enable him to form a view on the Complaint;

(b) permit and/or request the Complainant and LME Clear to provide written submissions in relation to any specific matter;

(c) interview representatives of the Complainant and LME Clear;

(d) take whatever appropriate action he considers might assist in considering the Complaint; and

(e) conduct the consideration of the issues as he sees fit.

4.5 The Independent Complaints Commissioner shall produce a written report on its findings in relation to the Complaint. The written report may make a recommendation, if appropriate, that LME Clear make a compensatory payment to the Complainant and/or remedies the matter to which the Complaint relates.

4.6 The written report shall be provided to LME Clear and the Complainant. In addition, the Independent Complaints Commissioner may publish the report (or any part of it) if the Independent Complaints Commissioner considers that it ought to be brought to the attention of the public.

4.7 The Independent Complaints Commissioner may:

(a) require LME Clear to inform the Independent Complaints Commissioner and the Complainant of the steps which it proposes to take in response to the report; and

(b) require LME Clear to publish the whole or a specified part of its response to the Independent Complaints Commissioner.

4.8 LME Clear shall be liable for any costs relating to the appointment of the Independent Complaints Commissioner.

4.9 The decision of the Independent Complaints Commissioner shall be final and binding and there shall be no further appeal.

PART D – DISCIPLINE

1. INVESTIGATIONS

1.1 LME Clear may investigate any alleged Acts of Misconduct by a Member.

1.2 In the course of conducting an investigation, LME Clear may appoint professional, legal or accounting advisers to assist, or enlist the assistance of any other external adviser as it thinks fit. Any external adviser appointed by LME Clear shall be required to treat all information obtained in the course of the investigation as confidential and to disclose it only to LME Clear.

1.3 LME Clear shall issue a Notice of Investigation ("**NoI**") notifying the Member concerned that an investigation has been commenced. The NoI shall be in writing to the Member's Compliance Officer, and shall contain a brief description of the matter under investigation.

1.4 Members shall co-operate fully with all investigations (whether or not they are the Member under investigation). In particular, Members shall:

(a) make available for interview such of their officers, employees or agents as may be reasonably requested in order that they may answer questions and explain any matter that LME Clear considers relevant to the investigation;

(b) comply fully with their obligation to provide information in accordance with Rule 3 (*Membership*); and

(c) permit an authorised representative of LME Clear to visit their offices at any time, for the purpose of the investigation.

2. INITIATING PROCEEDINGS

2.1 LME Clear may bring disciplinary proceedings against any Member where LME Clear considers the Member (or an employee or other person for whom LME Clear deems the Member to be responsible) to have committed an Act of Misconduct.

2.2 Where LME Clear decides to bring disciplinary proceedings, it shall serve a notice setting out the alleged Act of Misconduct together with a summary of the facts relied upon (the "**Enforcement Notice**") on the Member concerned.

2.3 The disciplinary proceedings under Part D of these Membership Procedures are without prejudice to LME Clear's rights under Rule 10 (*Default*).

3. DEFENCE

3.1 The Member has sixty (60) days from service of a Enforcement Notice to serve a statement of defence (a "**Defence**") that:

(a) responds to all or any of the allegations;

(b) states whether or not the Member admits all or any of the allegations; and

(c) states what admissions of fact, if any, the Member makes.

3.2 After reviewing the Defence, LME Clear may, if it deems it appropriate, choose to discontinue disciplinary proceedings.

3.3 After reviewing the Defence, LME Clear may, if it deems it appropriate, amend its Enforcement Notice. In these circumstances, the Member has ten (10) Business Days from service of the amended Enforcement Notice to serve an amended Defence. If the Member fails to serve an amended Defence, the Member will be deemed to be relying on his original Defence.

3.4 Where no Defence has been served pursuant to Membership Procedure D3.1, and no settlement has been reached within twenty (20) Business Days from service of an Enforcement Notice, the Member will be deemed to have accepted the facts and matters alleged in the Enforcement Notice and will therefore be deemed to have committed an Act of Misconduct. For the avoidance of doubt, a disciplinary hearing will not be held and the Disciplinary Committee shall make a determination in accordance with Membership Procedure D6.

4. COMPOSITION OF DISCIPLINARY COMMITTEE

4.1 The Disciplinary Committee shall consist of three directors of LME Clear.

4.2 Details of the precise composition of the Disciplinary Committee shall be provided to the Member prior to the disciplinary hearing.

5. THE DISCIPLINARY HEARING

5.1 The disciplinary hearing shall take place:

(a) where LME Clear does not amend its Enforcement Notice under Membership Procedure D3.3, no later than twenty (20) Business Days after service of the Defence;

(b) where LME Clear amends its Enforcement Notice under Membership Procedure D3.3, no later than twenty (20) Business Days after the last date on which an amended Defence could have been filed; or

(c) on such other date as the Disciplinary Committee shall require.

5.2 The Disciplinary Committee shall determine the procedure to be followed at the disciplinary hearing. Without limitation, the Disciplinary Committee may:

(a) hold a pre-hearing review to hear procedural applications by LME Clear or the Member;

(b) direct LME Clear and a Member to disclose copies of any document;

(c) direct LME Clear and a Member to provide further submissions or information as may be necessary to clarify the relevant facts and issues;

(d) allow LME Clear and a Member to call witnesses to give evidence and be questioned (and this may include relevant experts and advisers); and/or

(e) allow LME Clear and a Member to be represented by any person.

5.3 Disciplinary hearings will normally be held in private, unless both LME Clear and the Member agree that the hearing should be in public.

5.4 The Disciplinary Committee may appoint its own legal advisers.

5.5 If either party fails to attend a disciplinary hearing, the hearing may proceed in that party's absence.

5.6 A record shall be made of a disciplinary hearing, electronically or otherwise. The Member shall be entitled to a transcription or copy of the record on payment of any applicable costs.

5.7 The Disciplinary Committee may admit any evidence whether oral or written, and whether or not the same would be admissible in a court of law.

5.8 The burden of proof shall be on LME Clear. The Disciplinary Committee shall not find an allegation proved unless it is satisfied on the balance of probability.

6. THE DETERMINATION

6.1 The Disciplinary Committee shall announce its findings to the parties as soon as practicable.

6.2 Where the Disciplinary Committee is satisfied that the Member has committed an Act of Misconduct it shall provide the parties with an opportunity to make representations before determining the penalty to be imposed.

6.3 The Disciplinary Committee shall announce the penalty to be imposed as soon as possible.

6.4 Within twenty (20) Business Days of announcing its findings, the Disciplinary Committee shall serve on the parties a written decision comprising:

(a) its findings of fact;

(b) its findings as to whether any charges not admitted are proved;

(c) the reasons for its decision; and

(d) any penalties to be imposed on the Member, together with an indication as to:

(i) whether any part of the penalty is compensatory for the benefit of the Members generally or for specified individuals; and

(ii) what part of the penalty is punitive.

6.5 Subject to appeal, and unless the Disciplinary Committee determines otherwise, any penalty imposed shall take effect ten (10) Business Days after service of the written decision.

7. PENALTIES

7.1 The Disciplinary Committee may impose one or more of the following penalties:

(a) a public or private reprimand;

(b) a fine of any amount;

(c) an order that the Member make restitution to any person where the Member has profited from its misconduct at that person's expense;

(d) an order that the Member pay to LME Clear any gains resulting from a proven breach of the Rules;

(e) a requirement to comply with such conditions as the Disciplinary Committee deems appropriate;

(f) suspension or termination from Membership subject to ratification by the Board of LME Clear or its nominated delegate(s). Any suspension or termination shall be in accordance with Rules 3.6 to 3.9 or Rule 10 (*Default*) (for the avoidance of doubt, a determination that a Member has committed an Act of Misconduct shall constitute a Default Event under Rule 10 (*Default*)).

7.2 The sanction imposed by the Disciplinary Committee shall be proportionate and commensurate with the seriousness of the Act of Misconduct, taking into account factors including the consequences of the act and whether the act was deliberate or negligent.

7.3 In the event that a Member fails to comply with a penalty imposed, or direction made under this Membership Procedure 7, such failure shall constitute a breach of the Rules.

8. COSTS

The Disciplinary Committee may make costs orders at its discretion. It may order any party to pay such costs as it reasonably considers to be appropriate in the circumstances, including, but not limited to, administration costs and costs incurred in the investigation, preparation and presentation of the case.

9. SETTLEMENTS

9.1 LME Clear and the Member may agree to settle disciplinary proceedings at any time up to the commencement of the disciplinary hearing.

9.2 Settlement negotiations shall be undertaken on a without prejudice basis.

10. CONVICTIONS AND FINDINGS BY OTHER AUTHORITIES

10.1 The findings of fact of any court in the United Kingdom or the Upper Tribunal (Tax and Chancery Chamber), which have not been set aside on appeal or otherwise, shall be conclusive evidence of the facts so found.

10.2 A criminal conviction by any court in the United Kingdom which has not been set aside on appeal or otherwise shall be conclusive evidence of the commission of that offence.

10.3 The findings of fact of the following bodies, which have not been set aside on appeal or otherwise, shall be *prima facie* evidence of the facts so found:

(a) any court of competent jurisdiction outside the United Kingdom;

(b) any committee or tribunal of the Financial Services Authority, the Bank of England, the Prudential Regulatory Authority, the Financial Conduct Authority, ESMA, a self-regulating organisation, a recognised professional body, a recognised investment exchange, a recognised clearinghouse or any "overseas regulator" under section 195(3)-(4) of the Financial Services and Markets Act 2000 or any financial services legislation replacing the Financial Services and Markets Act, exercising regulatory or disciplinary functions;

(c) the Competition Commission; and

(d) any other body exercising a regulatory or disciplinary jurisdiction over any persons engaged in financial services business whether in the United Kingdom or elsewhere.

11. FINES FOR SETTLEMENT FAILURES (LMEPRECIOUS)

In the event that a Member conducts an Act of Misconduct pursuant to Rule 7.9.1 (*Postponed Delivery: LMEprecious*):

(a) such Act of Misconduct may also constitute a breach of the LME Rules;

(b) LME Clear shall co-ordinate with the LME with respect to the investigation, and any disciplinary action, to be taken against the Member pursuant to this Membership Procedure D and the disciplinary procedures under the LME Rules; and

(c) for the avoidance of doubt, nothing shall prevent LME Clear from applying the procedures in this Membership Procedure D in respect of such Act of Misconduct in the event that the LME does not apply its own disciplinary procedures against, or take any disciplinary action against, the Member.

PART E – APPEAL

1. INITIATING AN APPEAL

1.1 Within ten (10) Business Days of:

(a) notice that LME Clear has determined to reject an Applicant's application for Membership; or

(b) service of a decision by the Disciplinary Committee under Membership Procedure D6.4,

the Applicant or Member may appeal to the Appeal Committee by serving a notice of appeal to LME Clear.

1.2 A notice of appeal shall set out the grounds of the appeal and contain a brief statement of all matters relied upon by the person making the appeal.

1.3 The grounds of the appeal may be any one or more of the following:

(a) LME Clear or the Disciplinary Committee (as appropriate) misdirected itself;

(b) LME Clear or the Disciplinary Committee's (as appropriate) decision was:

(i) one that could not have reasonably been reached;

(ii) unsupported by the evidence or was against the weight of the evidence; or

(iii) based on an error of law or misinterpretation of the Rules;

(c) in the case of an Act of Misconduct, the penalty imposed by the Disciplinary Committee was either excessive or insufficient; or

(d) in the case of an Act of Misconduct, new evidence is available, which, if it had been brought forward before the Disciplinary Committee's findings were made, the Disciplinary Committee could reasonably have come to a different decision (this ground will not apply if the evidence could, by the exercise of reasonable diligence, have been brought forward before the Disciplinary Committee's findings were made).

2. COMPOSITION OF THE APPEAL COMMITTEE

2.1 The Appeal Committee shall comprise two persons who shall be nominated by the Centre for Effective Dispute Resolution (CEDR). The individuals appointed shall:

(a) be independent of LME Clear and the Applicant or Member (meaning that the individual is not, and has not been, an officer, director or employee of LME Clear, the Applicant or Member or their Affiliates);

(b) have appropriate knowledge and experience of how clearing is carried out by LME Clear, including the Rules and any Applicable Law relevant to the appeal; and

(c) have appropriate experience of the market to which the appeal relates.

2.2 Details of the precise composition of the Appeal Committee shall be provided to the Applicant or Member prior to the appeal hearing.

3. THE APPEAL HEARING

3.1 The Appeal Committee shall determine the procedure at the appeal having regard to the following:

(a) the person making the appeal is to open the appeal;

(b) any witnesses called may be:

(i) examined, cross-examined and re-examined by the parties; and

(ii) questioned by the Appeal Committee;

(c) the other party may make submissions in response to those made by the person making the appeal; and

(d) the person making the appeal may make closing submissions.

3.2 The Appeal Committee may appoint its own legal advisers. In the case of an Act of Misconduct, the legal advisers appointed may not be the same legal advisers appointed by the Disciplinary Committee.

3.3 If any party fails to attend an appeal hearing, the hearing may proceed in its absence.

3.4 A record shall be made of an appeal hearing, electronically or otherwise. The Applicant or Member shall be entitled to a transcription or copy of the record on payment of the applicable costs.

3.5 The burden of proof shall be on LME Clear. The Appeal Committee shall not find an allegation proved unless it is satisfied on the balance of probability.

3.6 The Appeal Committee may admit any evidence whether oral or written, whether direct or hearsay and whether or not the same would be admissible in a court of law.

4. THE DETERMINATION

4.1 The Appeal Committee shall announce its decision to the parties as soon as practicable.

4.2 The Appeal Committee may dismiss or allow the appeal and may change the penalty imposed as it considers appropriate.

4.3 Within twenty (20) Business Days of the conclusion of the appeal hearing, the Appeal Committee shall serve on the parties a written decision setting out its reasons.

4.4 The decision of the Appeals Committee shall be final and binding and there shall be no further appeal.

5. COSTS

The Appeal Committee may make costs orders at its discretion. It may order any party to pay such costs as it reasonably considers to be appropriate in the circumstances, including, but not limited to, administration costs and costs incurred in the investigation, preparation and presentation of the case.

CLEARING PROCEDURES

PART A – INTRODUCTION AND GENERAL MATTERS

1. INTERPRETATION AND INTRODUCTION

1.1 These Clearing Procedures form part of, and shall be read in conjunction with, the Rules and are legally binding on Members. Terms defined in the Rules have the same meaning in these Clearing Procedures. In the event of any conflict or inconsistency between the Rules and these Clearing Procedures, the Rules shall prevail.

1.2 These Clearing Procedures are arranged into the following Parts:

(a) Part A: Introduction and General Matters;

(b) Part B: Transaction and Position Management;

(c) Part C: Valuation, Margining and Risk Management;

(d) Part D: Treasury and Collateral Management;

(e) Part E: the Secure Payment System and Cash Settlements;

(f) Part F: Physical Delivery; and

(g) Part G: Interest, Fees and Charges.

1.3 The Clearing Procedures should be read in conjunction with the following Annexes, which support and supplement the Clearing Procedures:

(a) Annex 1 (*Eligible Products)*;

(b) Annex 2 (*Eligible Currencies, Collateral and Haircuts*);

(c) Annex 3 (*Fees and Charges*);

(d) Annex 4 (*List of Available Reports*);

(e) Annex 5 (*Margin Parameters*); and

(f) Annex 7 (*Delivery Timetables).*

2. INTRODUCTION TO PART A OF THE CLEARING PROCEDURES

2.1 This Part A of the Clearing Procedures specifies the Clearing Procedures applicable to:

(a) the time zone applicable to these Clearing Procedures (**Clearing Procedure A3**);

(b) the specification of the products that are eligible to be cleared via the Clearing System (**Clearing Procedure A4**), which shall be read in conjunction with Annex 1 (*Eligible Products*);

(c) the definition of an Instrument (**Clearing Procedure A5**);

(d) the basis on which LME Clear will determine prices applicable to the processes set out in these Clearing Procedures (**Clearing Procedure A6**);

(e) the basis on which LME Clear will issue various Reports to Members (**Clearing Procedure A7**), which shall be read in conjunction with Annex 4 (*List of Available Reports*);

(f) certain interpretative provisions regarding payment-related terminology (**Clearing Procedure A8**).

3. LONDON TIME

All times specified in these Procedures shall be construed as local London time unless explicitly stated otherwise.

4. ELIGIBLE PRODUCTS

4.1 Annex 1 (*Eligible Products*) specifies the list of financial instruments that constitute Eligible Products and the Product Specifications in respect of each such Eligible Product. The only contracts that are eligible at any given time to be submitted to be cleared via the Clearing System are those meeting the requirements specified in Annex 1 (*Eligible Products*).

4.2 Annex 1 (*Eligible Products*) describes the attributes of each Eligible Product and, where relevant, provides a cross reference to the relevant Clearing Procedure that describes the processes of the Clearing System that relate to that attribute.

4.3 Annex 1 (*Eligible Products*) may be updated from time to time by LME Clear in accordance with Rule 2 (*General Provisions*).

Where any individual Eligible Product is referred to in these Clearing Procedures, it shall be defined in accordance with Annex 1. Such individual Eligible Products shall not be specifically defined in Rule 1 (*Definitions and Interpretation*).

5. INSTRUMENTS

5.1 For the purposes of the Rules, an "**Instrument**" shall be defined, by reference to one or more Open Contracts in respect of the same Eligible Product and having the same Product Specifications, as the maximum number of common parameters for which it is possible to identify a market price, and which shall in each case exclude the following parameters:

(a) the Execution Price;

(b) the volume of Underlying Assets to be delivered; and

(c) the direction (that is, buy or sell) held by LME Clear.

For the avoidance of doubt, the Open Contracts relating to any single Instrument may each contain characteristics that are not reflected in the Instrument. However such characteristics will be those that are not capable of assisting the identification of a market price.

5.2 LME Clear identifies Instruments in order to identify a market price for the Open Contracts relating to each such Instrument. The market price will always be determined as the mid-market price for the Open Contracts relating to that Instrument. This is intended to facilitate the application of netting and settlement to market processes in respect of those Eligible Products that settle on a daily basis.

5.3 The following are set out as examples of Instruments:

(a) In respect of an LME Exchange Traded Forward, the Instrument will comprise the following characteristics of the Open Contracts for such Eligible Product where such characteristics are identical:

(i) type of Eligible Product (i.e. LME Exchange Traded Forward);

(ii) Underlying Asset (e.g. copper);

(iii) Settlement Currency (e.g. USD); and

(iv) Prompt Date.

(b) In respect of an LME Exchange Traded European Option, the Instrument will comprise the following characteristics of the Open Contracts for such Eligible Product where such characteristics are identical:

(i) type of Eligible Product (i.e. LME Exchange Traded European Option);

(ii) Underlying Asset (e.g. copper);

(iii) nature of option (e.g. either a call or a put);

(iv) the Strike Price Currency (e.g. USD);

(v) the Strike Price;

(vi) the Premium Currency (e.g. USD); and

(vii) the Expiry Date.

For the avoidance of doubt, the capitalised terms specified in the examples above refer to components of the Product Specifications of the relevant Eligible Products, and are to be interpreted in accordance with Annex 1 (*Eligible Products*).

6. CLOSING PRICES, SETTLEMENT PRICES, MARKET DATA AND PRICE SETS

Price-related terms defined

6.1 This Clearing Procedure A6 defines:

(a) the LME Closing Prices and the LBMA Closing Prices (each a sub-category of Closing Price);

(b) the LME Settlement Prices, the Gold Settlement Price and the Silver Settlement Price (each a sub-category of Settlement Price);

(c) the Price Sources for such prices; and

(d) the Price Sets.

LME Clear Prices

6.2 LME Clear will use such pricing data provided by third parties in order to:

(a) create intra-day Price Sets;

(b) create End of Day Price Sets (or Closing Prices); and

(c) create Settlement Prices.

6.3 LME Clear will, wherever reasonably practicable, use published prices for such purposes, typically at the End of Day on each Business Day (with the exception of the creation of intra-day Price Sets).

Closing Prices

6.4 The following shall constitute "**Closing Prices**":

(a) **Closing Prices for LME Exchange Traded Products**

(i) The Closing Prices for LME Exchange Traded Products other than Cash-Settled Futures or LMEprecious Products shall be the "Closing Prices" in the "Major Currency", as each such term is defined under the LME Rules.

(ii) The Closing Prices for LME Exchange Traded Products that are "Cash-Settled Futures" (as defined in the LME Rules) shall be the relevant "Cash-Settled Future Daily Settlement Price" for the specific Product, as such term is defined under the LME Rules.

(iii) The Closing Prices for LMEprecious Futures shall be the "LMEprecious Daily Settlement Price", as such term is defined in the LME Rules.

(each of (i), (ii) and (iii) being the "**LME Closing Prices**")

(b) **[Closing Prices for OTC Bullion Products**

[*left intentionally blank*].]

Settlement Prices

6.5 The following shall constitute "**Settlement Prices**":

(a) **Settlement Prices for LME Exchange Traded Products**

The Settlement Prices for LME Exchange Traded Products ("**LME Settlement Prices**") shall be the "Settlement Prices", as defined under the LME Rules.

(b) **Settlement Prices for OTC Bullion Products**

The Settlement Prices for OTC Bullion Products shall be as follows:

(i) [*left intentionally blank*] (the "**Gold Settlement Price**"); and

(ii) [*left intentionally blank*] (the "**Silver Settlement Price**").

Price Sources

6.6 The LME shall therefore be a "**Price Source**" for the purpose of these Procedures.

6.7 In the event that any Price Source fails to publish any Closing Price or Settlement Price that LME Clear needs to use in order to perform any process, LME Clear may determine the relevant price to be used for such process. Such determination will be at LME Clear's discretion and shall be conclusive. This Clearing Procedure A6.7 is subject to, and without prejudice to, any Rule that provides for an alternative means of determining a Closing Price or Settlement Price in the specific circumstances contemplated by such Rule.

Price Sets

6.8 In these Clearing Procedures a "**Price Set**" means a complete array of Market Prices and Volatility Metrics that includes:

(a) a Market Price for every Instrument; and

(b) all foreign exchange rates, interest rates and Collateral Valuation rates that shall be used by LME Clear in order to perform its calculations of the risks relating to any Member, Position, Account or Instrument.

LME Clear shall, on a continuous basis, during each Business Day, determine the Price Sets that it shall use for the purposes of its operation of the Clearing System.

6.9 For the avoidance of doubt, LME Clear shall use:

(a) an **"End of Day Price Set"** for the purpose of its End of Day risk management and Margin Requirement calculations and processes. This Price Set shall include the LME's "Closing Prices" (as defined in the LME Rules unless the LME fails to determine such Closing Prices, in which case LME Clear shall use such prices as it considers to be appropriate); and

(b) the Price Set most recently defined and adopted by LME Clear shall be used for the purpose of LME Clear's Intra-Day Margin Requirement calculations.

6.10 LME Clear reserves the right to amend any prices that it considers do not accurately reflect the current market price.

6.11 LME Clear shall make available to the Members the Price Set that it uses for End of Day calculations of Margin Requirements.

7. REPORTING

7.1 LME Clear will make available to Members the Reports specified in Annex 4 (*List of Available Reports*) in such formats and at such frequencies as are specified in Annex 4 (*List of Available Reports*).

7.2 The Reports will be made available to Members through the Member-specific section of the Website.

7.3 In addition to the Reports, LME Clear will make available to Members via the Website certain data relating to the Member's use of the Clearing System, including information regarding:

(a) the Transactions submitted to LME Clear by Approved Transaction Platforms; and

(b) the Member's current Positions in respect of Open Contracts.

7.4 Members will also be able to access margin calculation files and market data files from the Website.

7.5 All Reports, transmissions and other documents (other than Notices issued by LME Clear pursuant to Rule 2.9) in electronic format shall be deemed delivered to and received by each Member when made available for retrieval by LME Clear. Each Member shall be obligated to retrieve and review all Reports, transmissions and documents, and to notify LME Clear promptly of any error or discrepancies contained therein. To the extent necessary or appropriate, LME Clear may cause an adjustment to be made to the data within such time as LME Clear determines to be necessary.

7.6 The contents of all Reports, transmissions and other documents delivered or deemed to be delivered to a Participant shall be conclusive and binding on the Member if the Member does not notify LME Clear of any error or discrepancy with thirty (30) days of such delivery or deemed delivery.

7.7 It is the responsibility of each Member to access and preserve a copy of any Reports or data that such Member may require for any purpose or reason (whether operational, audit-related, legal, regulatory or otherwise).

8. INTERPRETATION OF "POSTING" AND "FOR VALUE" (CASH SETTLEMENT TERMS)

8.1 In these Clearing Procedures, reference to any cash payment being "posted" or "for value" on any particular Business Day shall be interpreted as follows:

(a) "**posted**" shall mean notified to the relevant Approved Settlement Bank and recorded on the Accounts maintained by LME Clear in the Clearing System, in relation to a Member, as a payment due from, or to, the Member; and

(b) reference to a payment being "**for value**" on a particular Business Day shall mean that the relevant payment shall be received into the receiving person's Settlement Account at the relevant Approved Settlement Bank on that particular Business Day.

PART B – TRANSACTION AND POSITION MANAGEMENT

1. INTRODUCTION

This Part B of the Clearing Procedures specifies the Clearing Procedures applicable to:

(a) the arrangements by which Transactions shall be submitted to LME Clear (**Clearing Procedure B2**);

(b) the arrangements that LME Clear will apply to determine whether and when Transactions will be Accepted (**Clearing Procedure B3**);

(c) the basis on which LME Clear will establish and monitor Positions in Open Contracts, including a specification of the Eligible Products that will be subject to netting of Positions and those that will be subject to a maintenance of Positions on a gross basis (**Clearing Procedure B4**);

(d) the basis on which certain Eligible Products will settle to market (**Clearing Procedure B5**)

(e) the arrangements for the exercise and assignment of options under Option Contracts of different types (**Clearing Procedure B6**); and

(f) the specification of which Eligible Products are Physically Settling Products and the identification of the provisions relevant to the determination of the Delivery Positions under Contracts for such Physically Settling Products (**Clearing Procedure B7**).

2. SUBMISSION OF TRANSACTIONS TO LME CLEAR

2.1 Transaction Capture and Matching

2.2 Transactions may only be submitted to LME Clear by or through an Approved Transaction Platform.

2.3 The Approved Transaction Platform shall be responsible for all trade capture and matching functions and will submit to LME Clear matched trade pairs as a single Transaction for clearing via the Clearing System.

2.4 Each Member shall ensure that it has executed all relevant documentation and contracts specified by the Approved Transaction Platforms that it will use to submit Transactions to LME Clear and comply with all eligibility requirements, rules and operating procedures of such Approved Transaction Platforms.

2.5 The platforms are currently approved as Approved Transaction Platforms by LME Clear for Transactions in specific Eligible Products are specified in the Product Specification set out in Annex 1 (*Eligible Products*).

2.6 Transaction Submission Deadlines

2.7 The operating times during which the Clearing System is open to receive Transaction Data shall be as specified in Circulars issued by LME Clear from time to time (each being an "**Opening Hours Circular**").

2.8 Any Transaction Data received following the relevant deadline specified for the Transaction by LME Clear in the relevant Opening Hours Circular will, unless LME Clear determines otherwise, be rejected by LME Clear.

3. TRANSACTION ACCEPTANCE

3.1 Acceptance Criteria

All Transactions submitted to LME Clear must satisfy the following "**Acceptance Criteria**" in order to be Accepted:

(a) the Transaction must:

(i) relate to an Eligible Product;

(ii) be executed in accordance with the rules of an Approved Transaction Platform that is approved by LME Clear for such Eligible Product;

(iii) be executed pursuant to an Approved Execution Arrangement;

(iv) have as each party to the Transaction either:

(1) a Member; or

(2) a Client or Indirect Client authorised by a General Clearing Member to enter into a Transaction that will be subject to clearing by LME Clear in accordance with the Rules;

(v) satisfy the transaction data checks identified in Clearing Procedure B3.8, where and to the extent that such checks are required to be performed prior to the Acceptance Time pursuant to Clearing Procedure B 3.9;

(b) each Member that is to accept responsibility for the Transaction shall:

(i) have been admitted to participate in the Service to which the Eligible Product relates;

(ii) have executed such other agreements or documents as may be required by LME Clear from time to time in connection with the relevant Service to which the Transaction relates;

(iii) have a Settlement Account at an Approved Settlement Bank in the relevant Eligible Currency for the Transaction; and

(iv) (where the Transaction will give rise to a Physical Delivery Contract) have in place appropriate arrangements with an Approved Delivery Facility in accordance with Clearing Procedure F (*Physical Delivery*);

(c) LME Clear has not, prior to Acceptance, notified the Approved Transaction Platform that it will not accept trades:

(i) from a Member or Non-Clearing Firm that is a party to, or responsible for, the Transaction; and/or

(ii) in relation to the Eligible Product that is the subject of the Transaction; and

(d) a Default Event must not have arisen in respect of any Member that is responsible for the Transaction at any time prior to, Acceptance, subject that LME Clear shall have the discretion to waive this requirement in respect of any Transaction and, notwithstanding Rule 2.11.1, such waiver may be applied and effective without any requirement for LME Clear to issue a written notification of such waiver.

3.2 **Execution by an Approved Execution Arrangement**

The following paragraphs define the "**Approved Execution Arrangements**" and their respective requirements for execution.

(a) **LME Ring**

(i) The Ring shall be an Approved Execution Arrangement for Transactions in LME Base Products.

(ii) Subject to the satisfaction of all other Acceptance Criteria, Acceptance shall be deemed to have occurred at the time at which the Transaction is agreed between the Members in the Ring.

(iii) Promptly following Acceptance, and in accordance with such timescales and requirements as are specified in the LME Rules, each Member responsible for a Transaction agreed in the Ring shall submit to LMEsmart the relevant information regarding the details of the Transaction in order to enable LMEsmart to perform such checks as LME Clear shall specify and agree with the Approved Transaction Platform. Any failure by a Member to comply with such requirements shall be dealt with under the LME Rules.

(b) **LMEselect**

(i) LMEselect shall be an Approved Execution Arrangement for Transactions in:

(1) LME Base Products; and

(2) LMEprecious Products.

(ii) Transactions agreed via LMEselect shall be subject to the application of such pre-execution checks as LME Clear shall specify and agree with the Approved Transaction Platform. The Approved Transaction Platform will not permit a Transaction to be executed via LMEselect unless such pre-execution checks are satisfied.

(iii) Subject to the satisfaction of all other Acceptance Criteria, Transactions agreed via LMEselect shall be deemed to be Accepted at the time at which the Transaction is confirmed in the LMEselect system as being matched, in accordance with the LME Rules.

(c) **LME Inter-Office Market**

(i) The LME Inter-Office Market, in conjunction with a Contingent Agreement to Trade and LMEsmart, shall be an Approved Execution Arrangement for Transactions in:

(1) LME Base Products; and

(2) LMEprecious Products.

(ii) The LME Inter-Office Market, in conjunction with LMEsmart, shall be an Approved Execution Arrangement for Transactions arranged by a RIB in:

(1) LME Base Products; and

(2) LMEprecious Products.

(iv) Transactions agreed via the LME Inter-Office Market shall, except where the Transaction is arranged by a RIB, give rise to a Contingent Agreement to Trade between the counterparties to the Transaction, in accordance with the LME Rules.

(iv) The Contingent Agreement to Trade has no effect or status under these Rules, and shall be governed solely by the LME Rules.

(v) The counterparties to a Contingent Agreement to Trade are responsible, under the LME Rules for the submission of the relevant Transaction Data to LMEsmart.

(vi) The counterparties to a Transaction arranged by a RIB are responsible, together with such RIB, under the LME Rules, for the submission of the relevant Transaction Data to LMEsmart.

(vii) LMEsmart shall apply such pre-execution checks as LME Clear shall specify and agree with the Approved Transaction Platform. The Approved Transaction Platform shall not permit a Transaction in respect of a Contingent Agreement to Trade, or any Transaction arranged by a RIB, to be executed via LMEsmart unless such pre-execution checks are satisfied.

(viii) When the pre-execution checks are satisfied, LMEsmart shall confirm that the Transaction may be executed.

(ix) Subject to the satisfaction of all other Acceptance Criteria, Transactions agreed via the LME Inter-Office Market, and which have been subject to the process set out in (iii) to (viii) above shall be deemed to be Accepted at the time at which the Transaction is confirmed in LMEsmart as being capable of execution, in accordance with the LME Rules.

(x) For the avoidance of doubt, neither the LME nor LME Clear regards a Contingent Agreement to Trade as constituting any form of derivative contract.

3.3 Contracts formed under Give-Ups

In the event that, in accordance with the relevant LME Rules governing Give-Ups:

(a) a Member agrees a Transaction via LMEselect or the LME Inter-Office Market, and (as a Give-Up Executor) submits a Give-Up Executor Instruction into the Approved Transaction Platform; and

(b) a Contract is allocated to the Give-Up Executor's House Account upon Acceptance of the original Transaction (such Contract being the "**Original House Contract**"); and

(c) at the Acceptance Time for the Give-Up Executor Instruction, the Accepting Member has not been identified, and a valid and complete Give-Up Acceptance has not been accepted and confirmed within LMEsmart,

then the following Contracts shall automatically and immediately come into effect between LME Clear and the Give-Up Executor:

(i) a Contract allocated to the Give-Up Executor's House Account, having the opposite direction to that of the Original House Contract (the "**Offsetting House Contract**"); and

(ii) a Contract allocated to an Administrative Account of the Give-Up Executor, having the same direction as that of the Original House Contract (the "**Give-Up Contract**").

3.4 In the event that, in accordance with the relevant LME Rules governing Give-Ups:

(a) the Give-Up Executor submits to the Approved Transaction Platform the appropriate information (in accordance with the LME Rules) identifying the Accepting Member that is to clear for the Client that initiated the Transaction; and

(b) LMEsmart confirms:

(i) the acceptance by such Accepting Member of the Give-Up arrangement pursuant to a Give-Up Acceptance; and

(ii) the satisfaction of the Acceptance Criteria in respect of the Transaction represented by the Give-Up Acceptance,

then

(c) upon Acceptance of such Give-Up Acceptance, LME Clear shall cancel the Give-Up Contract, which shall from the time of such cancellation cease to have effect between LME Clear and the Give-Up Executor.

3.5 In the event that the steps in Clearing Procedure B 3.4(a) or (b) are not completed, the step in (c) shall not take effect and the Give-Up Contract shall continue to be cleared in accordance with these Rules, unless and until LME and LME Clear agree with the Give-Up Executor to take any further action in respect of such Give-Up Contract.

3.6 **Transaction Data Capture**

For the avoidance of doubt, LMEselect (in respect of Transactions agreed via LMEselect) and LMEsmart (in respect of Transactions agreed via the LME Inter-Office Market) shall capture the Transaction Data in respect of each Transaction to:

(a) enable such systems to verify that the Transaction and the Member(s) responsible for such Transaction satisfy the static data, risk and credit checks applied by LME Clear to the Transaction;

(b) identify the Member or Members responsible for clearing the Transaction, and whether such Member or Members are acting in a proprietary capacity or on behalf of a Client;

(c) specify all relevant details required by LME Clear in order to identify the rights and obligations of each party under the Transaction; and

(d) specify, in respect of each Member that is to accept responsibility for the Transaction, the Account designated by the Member to which the Contracts, Positions, Collateral and other the rights and obligations relating to such Transaction should be allocated.

3.7 **Transaction Data Checks**

3.8 The Approved Transaction Platform will perform checks in respect of Transactions agreed pursuant to the LME Rules, on behalf of LME Clear. Such checks shall include:

(a) a check that the Transaction Data is complete and readable (the "**syntax validation**"); and

(b) a check that the Transaction Data content is valid, including whether the relevant Acceptance Criteria are satisfied (the "**static data validation**");

(c) a risk review (the "**Credit Check**") in order to determine whether:

(i) the Acceptance of the Transaction would cause the Member's Risk Threshold to be reached or exceeded; or

(ii) the Member has deposited with LME Clear insufficient Collateral to enable LME Clear to accept the risk of the new Transaction; and

(d) such other checks as LME Clear may require the Approved Transaction Platform to perform on its behalf in order to confirm that the Transaction Data is operationally capable of being processed within LME Clear's systems, and the Transaction is not inconsistent with any requirements specified in these Rules.

3.9 Such checks will be performed:

(a) prior to Acceptance Time where the Transaction is agreed via the LME Inter-Office Market; and

(b) following the Acceptance Time where the Transaction is agreed in LMEselect or the Ring.

3.10 The LME Rules shall set out and govern:

(a) the obligations of each Member with respect to the submission of appropriate information to ensure that such checks can be performed;

(b) the consequences of any check not being satisfied, and the obligations of the relevant Members in such circumstances; and

(c) the basis on which such checks will be confirmed as satisfied.

3.11 **Notification**

3.12 On each Business Day, LME Clear shall notify the Member of all Transactions in respect of such Member that have been Accepted or rejected by the Approved Transaction Platform or LME Clear on that Business Day, by the issue of a Report.

3.13 During each Business Day, Members may access information regarding:

(a) the status of Transactions submitted to the Clearing System; and

(b) the status of Open Contracts via the LMEmercury GUI or the Member Interface.

3.14 **OTC Backloading**

3.15 LME Clear may offer services to enable Members to identify the relevant Transaction Data to be input into LMEsmart pursuant to a Contingent Agreement to Trade, in order to clear through the Clearing System Contracts representing previously executed over-the-counter

contracts in Eligible Products (such services being "**OTC Backloading Services**"). Such OTC Backloading Services may include the provision of netting or compression data.

3.16 LME Clear may offer OTC Backloading Services in respect of one or more Services.

3.17 Where LME Clear makes OTC Backloading Services available:

(a) LME Clear shall specify a form of agreement to be executed between LME Clear and each Member that participates in such the OTC Backloading Service;

(b) the terms on which the OTC Backloading Service shall be provided, and the respective rights and obligations of LME Clear and a Member participating in the service, shall be as set out in such agreement; and

(c) the operational processes relating to the provision of, and use of, the OTC Backloading Service shall be as specified in the DSS.

4. POSITION UPDATE AND MAINTENANCE AND SETTLEMENT TO MARKET

4.1 Upon registration of a Transaction within the Clearing System, LME Clear shall determine the Member's Positions in the Eligible Products to which the Transaction relates. Such Positions shall be reflected in the relevant Account to which the Contracts relating to such Transaction have been designated (the "**Designated Account**"). (Rule 4 (*Accounts*) specifies the Rules applicable to the establishment and operation of Accounts opened by the Member).

4.2 Positions in Designated Accounts shall be created and updated following Acceptance in accordance with the following criteria:

(a) where the Designated Account does not currently record any other Open Contract for that Instrument a new Position shall be created within the Designated Account to reflect the Member's rights and obligations in respect of the Open Contract; and

(b) where the Designated Account contains existing Positions in respect of multiple Open Contracts for that Instrument, then each additional Open Contract in such Instrument shall be added to the volume of such existing Positions in that Designated Account.

4.3 Positions in an Account therefore represent the consolidated rights and obligations arising from all Open Contracts within the same Instrument that have been allocated to that Account.

4.4 All new Open Contracts in each Business Day are maintained on a gross basis intra-day, such that LME Clear records to each Account the total Open Contracts with Purchase Positions and total Open Contracts with Sale Positions allocated to that Account on that Business Day.

4.5 Following the completion of LME Clear's netting and reconciliation processes at End of Day:

(a) Positions in Gross Position Products allocated to an Account shall be maintained on a gross basis; and

(b) Positions in Net Position Products allocated to an Account shall be maintained in accordance with Clearing Procedure B5, either:

(i) on a net basis, such that the Purchase Positions and the Sale Positions in respect of each Open Contract for the same Instrument are netted to the smallest number of obligations; or

(ii) on an aggregated basis, such that the Purchase Positions and the Sale Positions in respect of each Open Contract for the same Instrument are added together to result in a single aggregated Purchase Position and a single aggregated Sale Position; and

(c) the application of Clearing Procedure B:4.4 and B4.5 (a) and (b) above to Positions allocated to a Gross Omnibus Segregated Client Account shall be applied separately to each Allocation ID in such Account, such that each gross calculation, net calculation or aggregation calculation shall be applied separately in respect of each Allocation ID and their corresponding Positions as if such Allocation IDs represented separate Accounts.

4.6 The following table identifies those Eligible Products that are Gross Position Products and Net Position Products respectively, and the basis on which position keeping may be applied to such Eligible Products.

Type of Product	**Eligible Products**	**Basis of Netting**
Gross Position Products	Exchange Traded Forwards	Gross
	Exchange Traded Monthly Average Futures	Gross
	OTC Bullion Forwards	Gross
Net Position Products	Exchange Traded Futures	Net or Aggregate
	LMEprecious Futures	Net or Aggregate
	All Option Contracts	Net or Aggregate

4.7 **Responsibilities of Members in respect of mis-allocated Contracts**

4.8 In the event that a Contract is allocated to an Administrative Account due to any determination by LME Clear that the Transaction Data in respect of a Transaction has incorrectly identified the Account to which such Contract should be allocated, the Member must submit corrected instructions to LME Clear, specifying the correct Account to which the Contract should be allocated, in accordance with the requirements of the LME Rules and in any event prior to the Close of Business on the next following Business Day after the Acceptance of the Contract.

4.9 In the event that a Default Event arises prior to the receipt by LME Clear of the instructions specifying the correct Account, the Contract shall remain within the Administrative Account, and shall be subject to the application of the Default Rules to that Account.

4.10 Notwithstanding paragraph 4.9 above, LME Clear may transfer a Contract from an Administrative Account to another Account of the Member where LME Clear considers it appropriate to do so.

4.11 **Aggregated Contracts Close Out Netting Process**

(a) Where a Member holds Aggregated Contracts in an Omnibus Segregated Client Account, the Member may utilise LME Clear's close-out process in order to:

(i) identify the open interest recorded in an Aggregated Contract which represents the open interest of a single Client; and

(ii) net any such open interest in an Aggregated Contract with a Purchase Position against any open interest in an Aggregated Contract with a Sale Position which is identical except in respect of its direction,

so that, following the application of such process:

(1) the relevant Aggregated Contracts shall remain in the Account and in force between LME Clear and the Member but with an amended Purchase Position or Sale Position, as the case may be; or

(2) where the netting reduces a Purchase Position or Sale Position to zero, the Aggregated Contract represented by that zero Position is automatically terminated.

(b) The time at which such netting shall take effect shall be the time at which the same is recorded in the Clearing System.

(c) The DSS sets out the requirements to be applied in order to carry out the close-out process set out in this paragraph 4.11 (including the cancellation of such close-out process).

(d) LME Clear may require a Member to close-out open interest in certain circumstances. Any such circumstances shall be set out in the DSS.

4.12 **Operational Requirements in support of gross Accounts**

4.13 Where a Member maintains Contracts allocated to a Gross Omnibus Segregated Client Account, the Member must provide to LME Clear a file, in such format and at such times each Business Day as shall be specified in the DSS, identifying the Allocation IDs for each such Contract.

4.14 Any Contracts allocated to a Gross Omnibus Segregated Client Account shall be subject to the following requirements:

(a) during the Business Day on which such Contracts are Accepted:

(i) Positions in respect of such Contracts shall be maintained by LME Clear on a gross basis in accordance with Clearing Procedure B:4.4; and

(ii) such Positions shall be subject to Margin Requirements calculated in accordance with Clearing Procedure C,

in each case until LME Clear has received the Allocation IDs in respect of such Contracts and the subsequent completion of LME Clear's netting and reconciliation

processes at End of Day for such Business Day in accordance with Clearing Procedure B:4.5(c) above; and

(b) in the event that a Member fails to provide an Allocation ID in respect of any such Contracts, LME Clear shall:

(i) apply its End of Day netting and reconciliation process to the Positions in respect of such Contracts, in accordance with Clearing Procedure B:4.5(c) on the basis of the table set out below; and

(ii) such Positions shall be subject to Margin Requirements calculated in accordance with Clearing Procedure C,

in each case until the End of Day on the Business Day on which LME Clear has received the Allocation IDs in respect of such Contracts and the subsequent completion of LME Clear's netting and reconciliation processes at End of Day for such Business Day in accordance with Clearing Procedure B:4.5(c) above.

Table referable to Clearing Procedure B:4.14(b)(i):

Type of Product	**Eligible Products**	**Basis of Netting for Unallocated Contracts**
Gross Position Products	Exchange Traded Forwards	Gross
	Exchange Traded Monthly Average Futures	Gross
	OTC Bullion Forwards	Gross
Net Position Products	Exchange Traded Futures	Aggregate
	LMEprecious Futures	Aggregate
	All Option Contracts	Aggregate

4.15 In the event that a Member identifies that any Allocation ID notified to LME Clear in respect of any Contract is incorrect, the Member must promptly submit to LME Clear an updated file specifying the correct Allocation ID, in accordance with the requirements specified in the DSS. For the avoidance of doubt, the Member must not submit to LME Clear any file or any additional Transactions, in order to correct any such mis-allocated Contract that would, or which would purport to, have the effect of creating a new Contract that has not been executed pursuant to an Approved Execution Arrangement.

4.16 LME Clear reserves the right not to allocate any Contract to an Allocation ID, either intra-day or in accordance with its End of Day netting and reconciliation process, where LME Clear so determines on the grounds of prudent risk management, including in the event that the Member has become a Defaulting Member.

5. SETTLEMENT TO MARKET PROCESS

5.1 Application of Netting or Aggregation

5.2 The netting processes set out in this Clearing Procedure B5 shall be applied as follows:

(a) for any House Account (including any Administrative Account treated as a House Account), LME Clear shall maintain the Positions in Net Position Products in the Account on a net basis, and shall be subject to daily settlement to market in accordance with Clearing Procedure B 5.8 and 5.9 below;

(b) for any Direct Individual Segregated Client Account or Indirect Individual Segregated Client Account LME Clear shall maintain the Positions in Net Position Products in the Account on a net basis, and shall be subject to daily settlement to market in accordance with Clearing Procedure B 5.8 and 5.9 below;

(c) for any Direct Net Omnibus Segregated Client Account or Indirect Net Omnibus Segregated Client Account, LME Clear shall maintain Positions in Net Position Products in the Account either:

(i) (in relation to certain designated Administrative Accounts), on a net basis; or

(ii) (in relation to all other Net Position Products in a Direct Net Omnibus Segregated Client Account or an Indirect Net Omnibus Segregated Client Account) on an aggregated basis (except where LME Clear agrees with the Member that they may be held on a net basis);

(d) for any Gross Omnibus Segregated Client Account, LME Clear shall maintain Positions in Net Position Products in the Account on a net basis per Allocation ID, except in the case of Contracts that have not been allocated to an Allocation ID, which shall be held on an aggregated basis with other unallocated Contracts,

subject that (in the case of (c) and (d) above:

(1) the Member may not maintain Positions on a net or aggregate basis where such Positions are allocable to more than one Client (or, in respect of any Indirect Net Omnibus Segregated Client Account or Indirect Gross Omnibus Segregated Client Account, to more than one Indirect Client) unless and except to the extent that the Member has the legal authority and power to do so, in accordance with Applicable Law and the Member's contractual terms with such Clients;

(2) Rule 6.11.4 shall apply;

(3) the Positions to be netted shall be subject to settlement to market in accordance with Clearing Procedure B 5.8 and 5.9 below; and

(4) the Positions to be aggregated shall be subject to settlement to market in accordance with Clearing Procedure B 5.11 and 5.12 below.

5.3 **Calculations**

5.4 LME Clear shall, at the End of Day, determine:

(a) in respect of each Instrument in a Net Position Product for each Account: the Position for all Open Contracts as at the End of Day, comprising the Brought Forward Position, as adjusted by any New Contract Positions (the "**End of Day**

Position") (subject that, in respect of a Gross Omnibus Segregated Client Account, references to "each Account" in this provision shall instead be construed as references to "each Allocation ID allocated to each Account"); and

(b) in respect of each Instrument in a Net Position Product to which Realised Variation Margin applies pursuant to the Product Specifications (a "**relevant Net Position Product**"), for each Account: the Realised Variation Margin in respect of the Instrument for that Business Day.

5.5 The determination made pursuant to Clearing Procedure B 5.4 above shall be applied:

(a) where (b) does not apply:

(i) to those Positions in an Account that are to be netted, in accordance with Clearing Procedure B 5.8, 5.9 and 5.14 below; and

(ii) to those Positions in an Account that are to be aggregated, in accordance with Clearing Procedure B 5.11, 5.12 and 5.14 below;

(b) in respect of a Gross Omnibus Segregated Client Account:

(i) to those Positions in an Allocation ID allocated to the Account that are to be netted, in accordance with Clearing Procedure B 5.8 and 5.9; and

(ii) to those Positions in an Allocation ID allocated to an Account that are to be aggregated, in accordance with Clearing Procedure B 5.11 and 5.12; and

(iii) Realised Variation Margin shall be calculated, in accordance with Clearing Procedure B 5.14, on a per-Account basis and not on a per-Allocation ID basis.

5.6 LME Clear's calculations of the respective Positions and Realised Variation Margin for the purpose of this Settlement to Market Process shall be definitive.

5.7 **Establishment of End of Day Positions per Instrument and Account (or Allocation ID allocated to an Account): Netted Positions**

5.8 For Positions that are to be netted, the End of Day Position shall represent a single net Position in respect of the Instrument at the relevant Closing Price for that Business Day, identifying:

(a) a single Purchase Position for the Buyer under the Instrument; and

(b) a single Sale Position for the Seller under the Instrument.

5.9 Upon the establishment by LME Clear of the End of Day Position, all Open Contracts represented by:

(a) the Brought Forward Position; and

(b) each New Contract Position,

shall be treated as being discharged and replaced by a single Open Contract at that Business Day's Closing Price. Such Open Contract shall be deemed to come into effect pursuant to the Rules.

5.10 **Establishment of End of Day Positions per Instrument and Account (or Allocation ID allocated to an Account): Aggregated Positions**

5.11 For Positions that are to be aggregated, separate End of Day Positions for Purchase Positions and Sale Positions shall be identified in respect of the Instrument at the relevant Closing Price for that Business Day, identifying:

(a) a single Purchase Position for the Buyer under the Instrument; and

(b) a single Sale Position for the Seller under the Instrument.

5.12 Upon the establishment by LME Clear of the End of Day Position:

(a) all Open Contracts represented by:

(i) the Brought Forward Position in respect of Purchase Positions; and

(ii) each New Contract Position comprising Purchase Positions,

shall be treated as being discharged and replaced by a single Open Contract comprising the aggregated Purchase Positions identified in (i) and (ii) at that Business Day's Closing Price;

(b) all Open Contracts represented by:

(i) the Brought Forward Position in respect of Sale Positions; and

(ii) each New Contract Position comprising Sale Positions,

shall be treated as being discharged and replaced by a single Open Contract comprising the aggregated Sale Positions identified in (i) and (ii) at that Business Day's Closing Price,

and such Open Contracts shall be deemed to come into effect pursuant to the Rules.

5.13 **Calculation of Realised Variation Margin**

5.14 For each Account, LME Clear shall determine, in respect of each Instrument in a relevant Net Position Product for which End of Day Positions have been calculated in accordance with Clearing Procedure B5.8 and 5.9 or B5.11 and 5.12 above, the Realised Variation Margin resulting as a consequence of such calculations. In order to do so, LME Clear shall calculate, separately in respect of Purchase Positions and Sale Positions for each Instrument:

(a) the difference between:

(i) the value of the Brought Forward Position at the previous Business Day's Closing Price; and

(ii) the value of the Brought Forward Position at that Business Day's Closing Price;

(b) in respect of each New Contract Position, the difference between:

(i) the value of such New Contract Position at the Execution Price of the Contract; and

(ii) the value of the Contract at that Business Day's Closing Price,

(and for the avoidance of doubt, this calculation in (b) shall be performed in respect of each New Contract Position arising in that Business Day); and

(c) the sum of the calculations in (a) and (b), which shall represent the Realised Variation Margin.

For the avoidance of doubt, the Realised Variation Margin may be a positive or a negative figure, representing a profit or a loss to either LME Clear or the Member.

5.15 The Realised Variation Margin calculated in respect of an Account pursuant to Clearing Procedure B 5.14 above shall represent a Payment Obligation to be made by the party that is at loss (whether this is LME Clear or the Member) to the party that is in profit. Such Payment Obligation shall be discharged as a Cash Settlement in accordance with Clearing Procedure E.

6. OPTION EXERCISE AND ASSIGNMENT

6.1 The rules applying to the exercise and assignment of rights under Option Contracts (the "**Option Exercise Rules**") are specific to each Eligible Product. The types of exercise and the basis on which such exercise is settled, for each type of Eligible Product that comprises an Option Contract, is summarised in the table below.

Option Contracts	**Exercise Type**
Exchange Traded Average Price Options (TAPOS)	Automatic Exercise
LMEprecious Options	Automatic Exercise
Exchange Traded European Options	Automatic Exercise

6.2 The Option Exercise Rules comprise the relevant "Option Regulations" set out in the LME Rules from time to time, together with the provisions of this Clearing Procedure B6. The Option Regulations determine the processes and timings to be applied in relation to the automatic exercise of rights under Option Contracts.

6.3 LME Clear and each Member will therefore comply with the Option Regulations and this Clearing Procedure B6 in the exercise and discharge of their respective rights and obligations under Option Contracts.

6.4 The remaining provisions of this Clearing Procedure B6 define, for each type of Eligible Product that may result in a cleared Option Contract:

(a) the last time on a Business Day on which a Transaction in such Eligible Product may be effected on the Exchange (the "**Last Traded Time**");

(b) the time on the Expiry Date on which the option on an Option Contract will be exercised (the "**Expiry Time**");

(c) the basis on which the option under the Option Contract shall be exercised (the "**Exercise Type**", that is, automatically);

(d) the "**Option Exercise Reference Price**", which shall be interpreted in accordance with the relevant Closing Price, determined under the LME Rules specified in the table;

(e) how the exercise of the option shall take effect (the "**Exercise Result**"); and

(f) the manner in which the Option Holder will be notified by LME Clear of the exercise of the option.

6.5 Exchange Traded Average Price Options (TAPOs)

The table below summarises the Option Exercise Rules for Option Contracts in Exchange Traded Average Price Options (TAPOs):

Product	**Exchange Traded Average Price Options (TAPOs)**
Last Traded Time	18:00hrs on the Business Day prior to the Expiry Date.
Expiry Time	15:00hrs on the Expiry Date.
Exercise Type	Automatic. All positions that are USD0.01 or greater in the money when compared to the Option Exercise Reference Price will be exercised automatically by LME Clear at the Expiry Time.
Option Exercise Reference Price	Monthly Average Settlement Price, ("**MASP**"), as specified by the Exchange on the date and time of exercise.
Exercise Result	Exercise creates between the Member and LME Clear two Contracts representing open LME Exchange Traded Forwards for Prompt Date the second Business Day of the month following the month of the Expiry Date. These LME Exchange Traded Forwards are equal and opposite in all respects except that: • one is created at the MASP; and • the other is created at the Strike Price of the original Transaction.
Notification via	LMEmercury GUI.

6.6 Exchange Traded European Options

The table below summarises the Option Exercise Rules for Option Contracts in Exchange Traded European Options:

Product	**Exchange Traded European Options**
Last Traded Time	18:00hrs on the Business Day prior to the Expiry Date.
Expiry Time	The Expiry Time, as defined in the LME Rules.
Exercise Type	Automatic.

	An Exchange Traded European Option shall be automatically exercised by LME Clear at the Expiry Time if at that time it is: (a) "In the Money", as defined in the LME Rules (in summary, such that the strike price is, in the case of a put option, above or, in the case of a call option, below the Option Exercise Reference Price); or (b) a call option that is "At the Money", as defined in the LME Rules (in summary, such that the Option Exercise Reference Price is equal to the strike price).
Option Exercise Reference Price	The Settlement Price for the Exchange Traded European Option identified as the "Exercise Reference Price", in accordance with the LME Rules.
Exercise Result	Exercise creates between the Member and LME Clear an Open Contract representing an LME Exchange Traded Forward at the Strike Price for Prompt Date on the third Wednesday of the month of the Expiry Date of the original Option Contract. The direction of LME Exchange Traded Forward (the "**Underlying Forward**") shall be determined as follows: • Buyer of exercised call – Buys Underlying Forward • Seller of exercised call – Sells Underlying Forward • Buyer of exercised put – Sells Underlying Forward • Seller of exercised put – Buys Underlying Forward.
Notification via	LMEmercury GUI.

6.7 *[left intentionally blank]*

6.8 *[left intentionally blank]*

6.9 *[left intentionally blank]*

6.10 *[left intentionally blank]*

6.11 **LMEprecious Options**

The table below summarises the Option Exercise Rules for LMEprecious Options:

Product	**LMEprecious Option**
Last Traded Time	20:00hrs on the Business Day prior to the Expiry Date.
Expiry Time	15:02hrs on the Expiry Date or, in the case of a postponement by the LME in accordance with the LME Rules, such other time specified by the LME.

Exercise Type	Automatic. An LMEprecious Option shall be automatically exercised by LME Clear at the Expiry Time if at that time it is: (a) "In the Money", as defined in the LME Rules (in summary, such that the strike price is, in the case of a put option, above or, in the case of a call option, below the Option Exercise Reference Price); or (b) a call option that is "At the Money", as defined in the LME Rules (in summary, such that the Option Exercise Reference Price is equal to the strike price).
Option Exercise Reference Price	The Settlement Price for the LMEprecious Option identified as the "Exercise Reference Price", in accordance with the LME Rules.
Exercise Result	Exercise creates between the Member and LME Clear an Open Contract representing an LMEprecious Future at the Strike Price for Prompt Date on the third Wednesday of the month of the Expiry Date of the original Option Contract. The direction of LMEprecious Future (the "**Underlying Future**") shall be determined as follows: • Buyer of exercised call – Buys Underlying Future • Seller of exercised call – Sells Underlying Future • Buyer of exercised put – Sells Underlying Future • Seller of exercised put – Buys Underlying Future.
Notification via	LMEmercury GUI.

7. DELIVERY POSITIONS

7.1 The following table specifies:

(a) those Eligible Products that are Physically Settling Products; and

(b) the Underlying Asset that is to be delivered on settlement of Contracts for each such Physically Settling Product.

Physically Settling Product	**Delivery Commodity – the Underlying Asset**
LME Exchange Traded Forwards	LME Warrants
LMEprecious Futures	Unallocated Precious Metal
OTC Bullion Forwards	Unallocated [Bullion]

7.2 Contracts for Physically Settling Products are defined as Physical Delivery Contracts pursuant to Rule 1 (*Definitions and Interpretations*).

7.3 LME Clear shall determine, in respect of each Account maintained by the Member, a net Delivery Position in respect of all Positions under Instruments comprised of Physical Delivery Contracts remaining open at the time of their expiry. Such net Delivery Position shall be determined by reference to the Settlement Price for the Underlying Asset on the Prompt Date, and shall comprise:

(a) a single Payment Obligation in respect of each Settlement Currency under which the Instruments are to be settled;

(b) (where applicable) a single Payment Obligation comprised by the LME Premium Warrant Payment Obligations in respect of the LME Aluminium Premium Contracts under which the Member is a Buyer;

(c) a single Delivery Obligation in respect of all obligations to deliver LME Warrants that are not LME Premium Warrants;

(d) (where applicable) a single Delivery Obligation in respect of each Premium Warrant Jurisdiction relating to LME Aluminium Premium Contracts under which the Member is a Seller; and

(e) a single Delivery Obligation in respect of all obligations to deliver unallocated Precious Metal in respect of LMEprecious Futures,

and such Payment Obligations and Delivery Obligations shall represent a "**Final Delivery Position**" at the Account level.

7.4 For the discharge of Delivery Obligations in respect of Contracts for which the Underlying Asset is LME Warrants, LME Clear shall determine in respect of each Member, the Warrant Movements required to settle the Final Delivery Positions between LME Clear and the Member, on the following basis:

(a) separate net and total Warrant Movements shall be established under (b) and (c) below in respect of:

(i) Delivery Obligations in respect of LME Premium Warrants for each Premium Warrant Jurisdiction; and

(ii) Delivery Obligations in respect of LME Warrants other than LME Premium Warrants;

(b) in respect of the Member's House Account(s), the Final Delivery Positions of each account shall be netted together to produce a single net Warrant Movement;

(c) in respect of the Member's Client Accounts:

(i) the Final Delivery Positions for all Client Accounts where the member is the Buyer under the relevant Contracts will be summed to produce a single total "buying" Warrant Movement;

(ii) the Final Delivery Positions for all Client Accounts where the Member is the Seller under the relevant Contracts will be summed to produce a single total "selling" Warrant Movement.

Consequently, a Member may have a maximum of three (3) Warrant Movements (in respect of LME Warrants other than LME Premium Warrants) with LME Clear in a single Underlying Asset on a single Business Day.

7.5 For the discharge of Delivery Obligations in respect of Contracts for which the Underlying Asset is unallocated Precious Metal, LME Clear shall determine, separately in respect of Gold and Silver, in respect of each Account of each Member:

(a) the Delivery Obligations of LME Clear as the Seller; and

(b) the Delivery Obligations of the Member as the Seller,

in order to determine a net movement of Precious Metal between LME Clear and the Member that is required to settle the Final Delivery Positions between LME Clear and the Member for that Account.

7.6 Delivery Positions (including Warrant Movements) are settled through:

(a) physical delivery of Underlying Assets by the Seller in discharge of the Delivery Obligation;

(b) against the discharge of the Payment Obligation by:

(i) payment of cash by the Buyer; and

(ii) (in respect of LME Aluminium Premium Contracts) the physical delivery by the Buyer of LME Warrants.

7.7 The Settlement Price for Underlying Assets applicable to each relevant Eligible Product is set out in the Product Specifications for the Eligible Product in Annex 1 (*Eligible Products*).

7.8 The delivery process for Underlying Assets under Contracts in respect of:

(a) LME Exchange Traded Forwards is defined by the LME Rules (including the Rules and procedures applicable to the operation of LMEsword) and is summarised in Clearing Procedure F2 (*LME Warrant Delivery Procedures*); and

(b) LMEprecious Futures is defined by the LME Rules and is summarised in Clearing Procedure F3 (*LMEprecious Future Delivery Procedures*); and

(c) OTC Bullion Forwards is set out in Clearing Procedure F4 (*OTC Bullion Delivery Procedures*).

PART C – VALUATION, MARGINING AND RISK MANAGEMENT

1. INTRODUCTION

This Part C specifies the Clearing Procedures applicable to:

(a) the composition of Margin Requirements (**Clearing Procedure C2**);

(b) the calculation of Initial Margin Requirement (**Clearing Procedure C3**);

(c) the calculation of the Variation Margin Requirement (**Clearing Procedure C4**);

(d) the calculation of additional margin (**Clearing Procedure C5**); and

(e) the calculation of Margin Requirements (**Clearing Procedure C6**).

2. COMPOSITION OF MARGIN REQUIREMENTS

2.1 When determining its End of Day Margin Requirement and its Intra-Day Margin Requirement(s) for a Member under Rule 8 (*Margin Requirements and Collateral*), LME Clear may have taken into account the Initial Margin Requirement and/or the Variation Margin Requirement then applicable to such Member (as calculated in accordance with this Clearing Procedure C).

2.2 Members shall maintain sufficient Collateral with LME Clear (including Collateral provided by Posting Affiliates and Posting Clients of the Member) at all times to cover their Margin Requirement as calculated by LME Clear.

2.3 LME Clear shall calculate Margin Requirements:

(a) on a per-Account basis;

(b) subject that in relation to Gross Omnibus Segregated Client Accounts, Margin Requirements shall be calculated:

(i) separately in respect of Positions having Allocation IDs, on per-Allocation ID basis; and

(ii) in respect of all Positions without Allocation IDs in each Account,

(such that each Margin Requirement for the Account shall be the aggregated sum of the corresponding Margin Requirements determined pursuant to (i) and (ii) above for such Account and any other margin requirements imposed in respect of the Account and/or Allocation IDs by LME Clear pursuant to the Rules and Procedures).

3. INITIAL MARGIN REQUIREMENT

3.1 "**Initial Margin Requirement**" is the amount of Collateral required by LME Clear in order to protect itself against potential fluctuations in the market value of a Defaulting Member's open Positions until those Positions are discharged or are closed out, fully hedged, or transferred by LME Clear under Rule 10 (*Default*) following the occurrence of a Default Event.

3.2 The calculation of the Initial Margin Requirements will be based on assumed close-out periods, confidence levels and historical look-back periods in line with the LME Clear margin policy from time to time in force.

3.3 The calculation of the Initial Margin Requirement will be made by reference to the most up-to-date novated Positions and LME Clear Price Sets.

Account-Level Initial Margin Requirement

3.4 The Initial Margin Requirement will be calculated for each Member in respect of the net Positions on each Account both intra-day and at the end of every Business Day for the following types of Account:

(a) House Account;

(b) Direct Individual Segregated Client Account;

(c) Indirect Individual Segregated Client Account;

(d) Direct Net Omnibus Segregated Client Account; and

(e) Indirect Net Omnibus Segregated Client Account.

3.5 For the types of Accounts identified in Clearing Procedure C:3.4, margin limits will be set by LME Clear for all Members on all Accounts and payment of margin will be called from a Member in respect of its net Positions on its Accounts on an intra-day basis in the event that margin limits or any applicable Risk Thresholds have been exceeded. For the avoidance of doubt, a reduction in value of the Collateral provided by the Member (or its Posting Affiliate or Posting Client) to LME Clear may cause such limits or Risk Thresholds to be exceeded, resulting in a requirement for payment of additional margin by the Member.

Initial Margin Requirement for Accounts with Allocation IDs

3.6 For Gross Omnibus Segregated Client Accounts:

(a) the Initial Margin Requirement will be calculated for each Member in respect of the net Positions for each Allocation ID allocated to each Account intra-day and at the end of every Business Day;

(b) in respect of Positions that have not been allocated to an Allocation ID, the Initial Margin Requirement will be calculated for each Member in respect of:

(i) the net Positions on each Account intra-day; and

(ii) the gross Positions on each Account at the end of every Business Day; and

(c) the Initial Margin Requirement for each Account, both intra-day and at the end of every Business Day, shall be the respective aggregates of the Initial Margin Requirements calculated pursuant to (a) (in respect of all Allocation IDs in the Account) and (b).

3.7 For the types of Accounts identified in Clearing Procedure C:3.6, margin limits will be set by LME Clear for all Members on all Accounts (at an Account-level) and, in the event that any applicable margin limits or Risk Thresholds are exceeded, payment of margin will be called from a Member. For the avoidance of doubt, a reduction in value of the Collateral provided by the Member (or its Posting Affiliate or Posting Client) to LME Clear may cause such limits or Risk Thresholds to be exceeded, resulting in a requirement for payment of additional margin by the Member.

Initial Margin Methodology

3.8 The Initial Margin Requirement will be calculated using the SPAN methodology. Details of the SPAN methodology are available on the Website.

3.9 The SPAN parameters are set by LME Clear in accordance with LME Clear's "Risk Policy", as amended by LME Clear from time to time. The level of the parameters is actively monitored and subject to regular review by LME Clear. Members will be informed of any changes to SPAN parameters by a Member circular published by LME Clear on its Website and through an email to each Member's designated email address.

4. **VARIATION MARGIN REQUIREMENT**

4.1 "**Variation Margin Requirement**" is the amount of Collateral required by LME Clear in order to protect itself against losses that have accumulated on any open Positions of a Member prior to a Default Notice being issued by LME Clear in relation to such Member.

4.2 The Variation Margin Requirement will be calculated by reference to each type of Contract as follows:

(a) Exchange Traded Futures and LMEprecious Futures will be margined as realised profits and losses using the "**Realised Variation Margin**" ("**RVM**") approach, which is calculated as the difference between:

(i) the contract value of today's trades and the value of any carried forward Positions; and

(ii) the Position value as at the time of calculation of the Variation Margin Requirement,

in accordance with the more detailed Settlement to Market Process set out in Clearing Procedure B4.

(b) Exchange Traded Forwards and Exchange Traded Monthly Average Futures are margined as liabilities or contingent credits using the "**Discounted Contingent Variation Margin**" ("**DCVM**") approach, which is calculated as the difference between:

(i) the contract value of the original transaction; and

(ii) the contract value as at the time of calculation of the Variation Margin Requirement.

(c) OTC derivatives are margined as a cash amount using the "**Cash Contingent Variation Margin**" ("**CCVM**") approach, which is calculated as the daily change in the difference between:

(i) the contract value of the original transaction; and

(ii) the contract value as at the time of calculation of the Variation Margin Requirement,

inclusive of an adjustment for Price Alignment Interest.

(d) options are margined as liabilities or contingent credits using the "**Net Liquidation Value**" ("**NLV**") approach, which is calculated as the current value of the option Position.

4.3 The calculation of the Variation Margin Requirement will be based on the most up-to-date Accepted Positions and LME Clear Price Sets.

4.4 Variation Margin Requirements will be calculated and payment shall be called at least once every Business Day as:

(a) part of the End of Day Margin Requirement (in respect of the DCVM and NLV); or

(b) a Payment Obligation (in respect of the RVM or CCVM),

the Cash Settlements in respect of which shall be determined in accordance with the Cover Distribution Process set out in Clearing Procedure D5.

4.5 LME Clear reserves the right to call for payment of an Intra-Day Margin Requirement at any point during the Business Day.

4.6 All contingent variation margin credits may be used to offset all Margin Requirements and other contingent variation margin debits, but contingent credits may not be realised as cash. Notwithstanding the foregoing, in a Gross Omnibus Segregated Client Account, such offset shall be applied on a per-Allocation ID basis, such that no offset shall be applied between Allocation IDs.

4.7 All payment balances due to or from a Member pursuant to the calculation of the Member's Variation Margin Requirement shall be discharged by Cash Settlements that are determined pursuant to the Cover Distribution Process set out in Clearing Procedure D5.

5. ADDITIONAL MARGIN

5.1 LME Clear may, in accordance with Rule 8 (*Margin Requirement and Collateral*), require a Member to provide additional Collateral if it determines that further amounts of Collateral are necessary to satisfy the Member's Margin Requirement. For example (but without limitation), LME Clear may request additional Collateral where it believes that the risk of a Position is not sufficiently covered by the existing Collateral provided by the Member in respect of the Initial Margin Requirement and the Variation Margin Requirement (as included in the then current Margin Requirement for the Member). Risks that may be covered by additional Collateral include (but are not limited to):

(a) delivery risk (that is, the risk that the Member will not fulfil a Delivery Obligation in respect of one or more Contracts);

(b) concentration risk (the risk that the Member's Account(s) cannot be liquidated within the close out period assumed by the Initial Margin Requirement);

(c) wrong-way risk (the risk that the Member or the Member's Positions has excessive negatively correlated exposure to collateral assets provided as Collateral);

(d) credit risk (the increased risk of a Member defaulting in the performance of its obligations to LME Clear as determined by the LME Clear internal credit ratings).

5.2 Any amounts to cover delivery risk will be payable in Cash.

6. CALCULATION OF MARGIN REQUIREMENTS

6.1 End of Day Margin Requirement

End of Day Margin Requirements are calculated net of cash settlements. Calculated risk is compared with any remaining Cash Collateral balance and non-cash Collateral, after the appropriate Haircut and any other applicable parameters or limits set by the Rules (including the applicable Collateral Limits), have been applied, and any shortfall requested in cash.

6.2 Intra-day Exposures

LME Clear reserves the right to apply an additional amount to the End of Day Margin Requirement where a Member regularly takes on proportionately larger intra-day exposure than remain at End of Day. The additional Margin Requirement shall be as determined by LME Clear, in accordance with such principles as may be specified in the “Collateral Management Framework” available on the Website.

6.3 Intra-Day Margin Requirement

(a) Intra-day risk is continuously compared with the post-Haircut valuation applicable to Collateral and the applicable Collateral Limits to ensure that sufficient Collateral is available to LME Clear. LME Clear will set risk thresholds ("**Risk Thresholds**") to determine:

(i) when additional Collateral will be required; and/or

(ii) whether a Transaction may become Accepted, where such Transaction is agreed via the LME Inter-Office Market.

and LME Clear shall determine any additional amount of Collateral that may be required to cover such intra-day risk and such calculation shall comprise the Intra-Day Margin Requirement.

(b) Additional Collateral will be requested from a Member whenever its Risk Threshold has been exceeded or where LME Clear believes that the value of available Collateral has been significantly eroded or otherwise as maybe required under Clearing Procedure C7 below. Members shall provide additional Collateral which is requested intra-day in the form of Eligible Cash unless LME Clear instructs otherwise. Members shall provide such additional Collateral promptly, and in any event not later than sixty (60) minutes after receipt from LME Clear of its request for such Additional Collateral.

6.4 Regular Intra-day Margin Call

Without prejudice to LME Clear's right under Rule 8 (*Margin Requirement and Collateral*) to require Members to satisfy Margin Requirements at any time during a Business Day, LME Clear may specify a regular margin call to meet an Intra-Day Margin Requirement at 14:00 hours (or at such other time as it may specify) on each Business Day.

7. MEMBER'S OBLIGATION TO ENSURE TRANSACTIONS ARE COLLATERALISED

7.1 It is the responsibility of each Member to monitor the Transactions it enters into, is likely to enter into, or is otherwise responsible for clearing, and to post additional Collateral if the Member anticipates that such Collateral may be required.

7.2 In the event that any Member fails, on multiple occasions, to post sufficient Collateral to cover the additional risk arising from Transactions entered into on LMEselect outside the opening hours of LME Clear (as specified in the Opening Hours Circular), LME Clear may require such Member to provide additional Collateral (including in advance of the Member entering into, or permitting any Client to enter into, any such Transactions).

7.3 All obligations of a Member to provide Collateral in respect of the Member's House Account may be met by that Member's Posting Affiliate providing Eligible Collateral in respect of that obligation. All obligations of a Member to provide Collateral in respect of a Designated Client Account may be met by the relevant Posting Client providing Eligible Collateral in respect of that obligation.

PART D – TREASURY AND COLLATERAL MANAGEMENT

1. INTRODUCTION

This Part D of the Clearing Procedures specifies the Clearing Procedures applicable to:

(a) the treasury management arrangements to be applied by LME Clear (**Clearing Procedure D2**);

(b) approved forms of Collateral to be provided to LME Clear (**Clearing Procedure D3**);

(c) LME Clear's arrangements for the management of Collateral (**Clearing Procedure D4**); and

(d) LME Clear's process for cover distribution (**Clearing Procedure D5**).

2. LME CLEAR TREASURY ARRANGEMENTS

2.1 At any time, relevant details of LME Clear's investment policy in force at that time will be published on its Website.

2.2 LME Clear's Treasury function will on a daily basis re-invest Cash Cover, in accordance with its investment policy. For the avoidance of doubt, LME Clear shall not be required to re-invest Collateral Cash Cover that is held within a Triparty Collateral Custody Account. Investment decisions will be taken within the context of LME Clear's Risk Appetite and any proceeds of such investment activity will be solely for the account of LME Clear.

2.3 LME Clear may pay interest on (or, if the rate of interest is negative, deduct interest from) Cash Cover deposited by Members with LME Clear, pursuant to Rule 8.3.3 and 9.1.4. The amount of interest paid is at the discretion of LME Clear and is not required to be linked to, or dependent upon, the earnings made by LME Clear from the investments.

3. ACCEPTABLE FORMS OF COLLATERAL

3.1 Approved types of Collateral

3.2 The following assets and instruments may be provided by a Member to satisfy its Margin Requirement:

(a) Eligible Cash;

(b) Eligible Securities;

(c) Eligible Gold;

(d) LME Warrant Collateral; and

(e) such other assets, rights, interests and instruments with such eligibility criteria as LME Clear may from time to time specify,

provided that in each case it is made available in such manner and on such terms as LME Clear considers necessary to comply with the applicable requirements of EMIR. In particular, LME Warrant Collateral shall only constitute Eligible Collateral in relation to any liabilities under one or more Open Contracts between LME Clear and the Member relating to the same metal as the Underlying Metal for such LME Warrant Collateral.

3.3 To manage its concentration risk, LME Clear requires that each Member maintains a minimum proportion and/or minimum amount of its Collateral in Eligible Cash. This minimum proportion and/or minimum amount is set out in the Collateral Specifications. LME Clear may alter this minimum proportion and/or minimum amount at any time. LME Clear may specify in the Collateral Specifications the Eligible Currency in which this minimum proportion and/or minimum amount must be paid to LME Clear.

3.4 Any Collateral or Default Fund Contributions which is not, or ceases to be, immediately accessible or otherwise available to LME Clear to use or liquidate (whether pursuant to enforcement, set-off or otherwise) shall not be eligible including the following: (a) Collateral or Default Fund Contribution which ceases to be immediately accessible by LME Clear due to the insolvency or default of any Custodian, Securities Systems Operator, central securities depository, bank (including any Approved Settlement Bank), Warehouse, the LMEsword Depository or other person holding or processing Collateral or Default Fund Contributions or any sanctions or embargo impacting any of the foregoing parties shall not be eligible for the duration of the period during which it is not immediately accessible by LME Clear; (b) the currency in which any Cash Cover is held is not, or ceases to be, fully liquid, exchangeable and transferable or is otherwise the subject to currency controls, as a result of which LME Clear determines that Cash Cover in such currency is not appropriate; and (c) in the case of LME Warrant Collateral, the relevant LME Warrants are cancelled, or the Warehouse or the relevant Member fails to perform its obligations under the related Warehouse Agreement and/or contract of storage (including, without limitation, in relation to the maintenance of insurance and the payment of rent and weight adjustments). In the event that any Collateral or Default Fund Contributions provided by a Member (or by a Posting Affiliate or Posting Client) ceases to be eligible, the Member shall immediately provide such additional Collateral or Default Fund Contributions as may be required to ensure that the Member is in compliance with the Rules (including in the case of Collateral Rule 8.1).

3.5 Any Collateral that does not conform to the requirements of this Clearing Procedure D will be ineligible at LME Clear. If any is received, it will be subject to a one hundred per cent (100%) Haircut and returned as soon as is practicable but subject to the provisos in Rule 8.7.2.

3.6 Collateral (other than LME Warrant Collateral) may be denominated in any Eligible Currency in accordance with the criteria specified in the Rules, including the Procedures and Annexes. Haircuts will be applied to Eligible Collateral on the basis determined by LME Clear from time to time (and as set out in Annex 2). In the event that Collateral (other than LME Warrant Collateral) is denominated in an Eligible Currency other than that of the liability which it collateralises a further Haircut will be applied in order to address the additional foreign exchange exposure.

3.6A Notwithstanding Clearing Procedure D3.6 and D3.7, where LME Clear determines it is necessary or appropriate, LME Clear may specify to a Member, to multiple Members, or to Members generally, that Collateral shall be paid in a specific Eligible Currency. In such circumstances, such Member(s) shall provide Collateral in such specified Eligible Currency.

3.7 **Cash Collateral**

3.8 The part of a Member's Cash Collateral held in a particular Eligible Currency may not at any time exceed the Collateral Limits, if any, set out in Annex 2 (*Eligible Currencies, Collateral and Haircuts*).

3.9 Subject to 3.12C below, Cash Collateral will be collected through the Secure Payment System.

3.10 Members will be requested to satisfy all margin calls in cash in the currency required by LME Clear. Only an Eligible Currency set out in the Collateral Specifications may be used as Collateral for this purpose. Where LME Clear requires all Cash Collateral to be provided in a single Eligible Currency, it will specify the relevant currency in the Collateral Specifications.

3.11 LME Clear reserves the right to add or remove a currency as an Eligible Currency at any time and otherwise to amend or replace the Collateral Specifications at any time.

3.12 The exchange of Cash Collateral from one Eligible Currency to another Eligible Currency or from cash to non-cash Collateral (or vice versa) may be carried out only in accordance with the substitution procedure set out in Clearing Procedure D4.5 to 4.13 below.

Cash Collateral under a Triparty Custody Arrangement

3.12A Where a Member uses Securities Collateral held within its Member Triparty Collateral Custody Account to meet its Margin Requirement (whether in whole or in part), in the event that there is insufficient Securities Collateral in the Member's Triparty Collateral Custody Account to meet the relevant Triparty Transaction Amount, the Member shall be permitted to post Cash Collateral from its Member Triparty Collateral Custody Account to meet such Triparty Transaction Amount.

3.12B Subject to LME Clear's consent and Clearing Procedure D3.12A, a Member may appoint a Triparty Collateral Custodian to deliver Cash Collateral to LME Clear, and to receive returns of Cash Collateral from LME Clear by way of a transfer of such Cash Collateral between the Member's Triparty Collateral Custody Account and LME Clear's Triparty Collateral Custody Account, as described above, provided that the Member has entered into any and all required Triparty Custody Documentation. Any Member that uses a Triparty Custody Arrangement shall, at all times, remain responsible for discharging its Margin Requirements and for all other obligations regarding the delivery and receipt of Collateral under the Rules and the Security Documents.

3.12C For the avoidance of doubt, Cash Collateral that is transferred pursuant to a Triparty Custody Arrangement shall be transferred directly within the system operated by the Triparty Collateral Custodian, and shall not be collected through the Secure Payment System.

3.13 **Securities Collateral**

3.14 All a Member's right, title and interest in and to any Securities Collateral (together with any accrued interest) provided by that Member shall be charged to LME Clear under the Security Documents.

3.15 Securities Collateral will be delivered by the Member either to LME Clear or to a depository institution approved by LME Clear (as listed in Annex 2 (*Eligible Currencies, Collateral and Haircuts*)) which will hold such Securities Collateral to the order of LME Clear. If such Securities Collateral consist of securities, the title to which is evidenced by entries in a register or account maintained by or on behalf of an intermediary, the Member will cause those securities to be credited to a securities account in the name of LME Clear (or the Custodian, Securities System Operator or nominee acting for LME Clear) at such intermediary and on such terms as LME Clear may require (consistent with the procedures applicable to securities accounts held with the relevant intermediary).

3.15A Subject to LME Clear's consent, a Member may appoint a Triparty Collateral Custodian to deliver Securities Collateral to LME Clear, and to receive returns of Securities Collateral from LME Clear by way of a transfer of such Securities Collateral between the Member's Triparty Collateral Custody Account and LME Clear's Triparty Collateral Custody Account, provided that the Member has entered into any and all required Triparty Custody Documentation. Any Member that uses a Triparty Custody Arrangement shall, at all times, remain responsible for discharging its Margin Requirements and for all other obligations regarding the delivery and receipt of Collateral under the Rules and the Security Documents.

3.16 Securities Collateral will be valued, for collateral valuation purposes, on such basis and subject to such Haircuts or other adjustments, as may be determined by LME Clear from time to time. Securities Collateral may be denominated in an Eligible Currency other than that of the liability which it collateralises (in which case an appropriate Haircut will be applied).

3.17 Any dividend, interest or other income earned or paid on Securities Collateral which is received by LME Clear will be added to the Member's Collateral once received (and, where the Member maintains multiple accounts with LME Clear, will be allocated by LME Clear amongst the Account or Accounts in respect of which the relevant securities were delivered), unless the Member has defaulted in payment of any of its obligations to LME Clear, in which case LME Clear may first liquidate such securities and apply all or part of them, including any interest earned on them, as provided for in Rule 10 (*Default*).

3.18 **Gold Collateral**

3.19 Gold Collateral may be provided by a Member only by means of credit to an Unallocated Gold Account in the name of LME Clear with the Gold Custodian in accordance with Annex 2 (*Eligible Currencies, Collateral and Haircuts*). LME Clear may convert all or part of the credit balance on such account into allocated Gold to be held on such terms and for such period as it may direct. Only allocated Gold shall be Eligible Collateral and so unless and until LME Clear has converted such unallocated Gold into allocated Gold, and only for so long as LME Clear holds allocated Gold, shall such Gold count against the Member's Margin Requirement. The Member shall have no proprietary interest in any Gold Collateral and any such allocated Gold, which LME Clear shall hold as sole legal and beneficial owner (free from any right, title or interest of the Member or any third party).

3.20 If and when Gold Collateral becomes returnable in whole or part to the Member, the relevant amount will be credited to the Member's Unallocated Gold Account with such member of LPMCL as the Member shall direct. The crediting of the relevant amount to such account will be a good discharge of LME Clear's obligations for the return of such amount.

3.21 **LME Warrant Collateral**

3.22 A Member shall create security over all LME Warrant Collateral in favour of LME Clear in accordance with the terms of the Security Documents. In the case of the Affiliate Posting Structure, the Posting Affiliate shall collateralise the performance by a Member of certain of its present and future obligations to LME Clear in respect of the Member's House Account in accordance with the terms of the relevant Affiliate Security Documents. In the case of the Client Direct Posting Structure, the Posting Client shall collateralise the performance by a Member of certain of its present and future obligations to LME Clear in respect of the

relevant Designated Client Account in accordance with the terms of the relevant Posting Client Security Documents.

3.23 Eligible LME Warrants comprising LME Warrant Collateral will be transferred by the Member to the LME Clear Pledged Account in LMEsword notified to it by LME Clear from time to time.

3.24 LME Warrant Collateral will be valued, for collateral valuation purposes, on such basis and subject to such Haircuts or other adjustments as may be determined by LME Clear from time to time. LME Warrants (and, therefore, any corresponding rights or interests that would constitute LME Warrant Collateral if such LME Warrants were Eligible Warrants) may only be accepted by LME Clear as Eligible Collateral if there are no outstanding rent payments at the time of the eligibility assessment and no Rent Date will occur in relation to such LME Warrants within five (5) Business Days of the eligibility assessment.

3.25 In order to provide LME Warrant Collateral in connection with the Client Direct Posting Structure, the Posting Client shall instruct its Member to make an Ex-cleared Transfer Instruction in LMEsword to the LME Clear Pledged Account in respect of the relevant LME Warrants held by it in the relevant sub-account in LMEsword held by the Member on behalf of such Posting Client. Where any LME Warrants provided by a Posting Client are to be returned to the Posting Client, LME Clear shall make an Ex-cleared Transfer Instruction in LMEsword to the relevant sub-account in LMEsword held by the Member on behalf of such Posting Client from the LME Clear Pledged Account.

3.26 **Security Documents**

3.27 In order to collateralise all its obligations, liabilities and debt of any kind (present or future, actual or contingent) to LME Clear under the Rules or in relation to the operation of the Clearing System, each Applicant will, prior to its admission as a Member and where required by LME Clear, deliver to LME Clear (or as it may otherwise direct) one or more duly executed Security Documents, for each Posting Affiliate, one or more duly executed Affiliate Security Documents and for each Posting Client and one or more duly executed Posting Client Security Documents, in such terms as LME Clear may require. The Security Document(s) will, and the Affiliate Security Document(s) and the Posting Client Security Document(s) that create security will, include a perfected, first-ranking, fixed security interest (or the equivalent under the law of any jurisdiction outside England and Wales) over all Asset Cover (other than cash) provided by it to LME Clear (or its agents, Custodians or Securities System Operator) pursuant to the Rules.

3.28 The Security Documents and the Affiliate Security Document(s) (where required by LME Clear) will collateralise all obligations, liabilities and debt of the Member to LME Clear whether (in LME Clear's books of account) such transactions are recorded in a Client Account or House Account of the Member or otherwise. The Posting Client Security Document(s) (where required by LME Clear) will collateralise all obligations, liabilities and debt of the Member to LME Clear in respect of transactions that are recorded in the relevant Designated Client Account.

3.29 Money received or realised by LME Clear on any enforcement of the Security Documents, the Affiliate Security Document(s) or the Posting Client Security Document(s) will, where LME Clear maintains in its books of account one or more Client Accounts and House Accounts for the relevant Member, be applied in the proportions and subject to the restrictions on the use of Client Collateral applicable under the Rules.

3.30 LME Clear may require a Member to grant a subordinated or other Security Interest (pursuant to documentation in a form specified by LME Clear) to its Clients over any rights

of the Member in, and/or any rights of the Member to the return of, any Collateral provided by the Member which is recorded on a Client Account to facilitate LME Clear's observance of (i) Article 48(5) or (6) of the EMIR Level 1 Regulation and Rule 10.7 and (ii) Article 48(7) of the EMIR Level 1 Regulation and Rule 10.5.1(c).

4. COLLATERAL MANAGEMENT

4.1 General Information

Without prejudice to LME Clear's rights under Clearing Procedure C (*Valuation, Margining and Risk Management*):

(a) LME Clear may determine what will be acceptable to it as Eligible Collateral and will also determine when any form of collateral will cease to be acceptable as Eligible Collateral;

(b) LME Clear may determine the Haircuts to be applied to the valuations of Eligible Collateral and will also determine when such Haircuts will be subject to change (the list of Eligible Collateral and Haircuts is set out in Annex 2 (*Eligible Currencies, Collateral and Haircuts*));

(c) LME Clear will only accept delivery of non-cash Collateral in accordance with these Clearing Procedures;

(d) LME Clear reserves the right to change the information required on instructions received via the LMEmercury GUI whenever LME Clear considers that it would be appropriate to do so; and

(e) LME Clear may declare that LME Warrant Collateral posted by a Posting Affiliate or Posting Client is no longer Eligible Collateral in respect of a Member's Margin Requirement at any time, in LME Clear's sole discretion, including but not limited to where there has been a material decrease in the creditworthiness of such Posting Affiliate or Posting Client. In such case, the Member shall immediately on request by LME Clear deliver additional Collateral in order that the Member's Margin Requirement is met.

4.2 Collateral Settlement

(a) All non-cash Collateral deposited with LME Clear will be subject to the application of fees and charges levied at the discretion of LME Clear.

(b) It will only be possible for a Member to deposit with LME Clear non-cash Collateral after its acceptability has been agreed or verified through the LMEmercury GUI or, in relation to non-cash Collateral to be deposited by a Member into LME Clear's Triparty Collateral Custody Account, once its acceptability has been agreed or verified by the Triparty Collateral Custodian.

(c) Non-cash Collateral transfers initiated through the LMEmercury GUI generate the appropriate straight-through processing ("**STP**") messages for the relevant LME Clear collateral agents. Members will need to instruct their own agents directly to avoid unmatched transactions; alternatively, Members may provide LME Clear with a Power of Attorney to address this requirement.

(d) All transactions to lodge or withdraw securities from LME Clear will be executed as "free of payment".

(e) All transactions to transfer LME Warrants in LMEsword to or from the LME Clear Pledged Account will be executed via an Ex-cleared Transfer Instruction.

4.3 **Additional Collateral Management Charge**

(a) Where a Member has deposited Eligible Collateral with LME Clear that exceeds the required Margin Requirement, or Excess Collateral has otherwise arisen as a consequence of changes to the Market Value of the deposited Eligible Collateral, LME Clear may request a Member to withdraw the Excess Collateral. (By way of example, but without limitation, this may occur where LME Clear may incur financial exposure or charges as a consequence of holding such Excess Collateral). If the Member is unable to comply with the request to remove the Excess Collateral, LME Clear may either:

(i) in the case of cash, return an appropriate amount to the Member; or

(ii) where it is able to do so, return the securities, Gold or LME Warrant Collateral to the Member, its Posting Affiliate or its Posting Client; or

(iii) levy an "Additional Collateral Management Charge" (or "**ACMC**") on the Member.

Where LME Clear attempts to return securities, Gold or LME Warrant Collateral to the Member, its Posting Affiliate or its Posting Client pursuant to this Clearing Procedure D 4.3(a), the Member, its Posting Affiliate or its Posting Client shall take any and all such actions as may be necessary to facilitate the relevant transfers including, in the case of LME Warrant Collateral, by executing any necessary Ex-Cleared Transfer Accept Instructions (as such term is defined in the LMEsword Regulations).

(b) An ACMC will be charged from the date the Member was requested to remove the Excess Collateral until the date of its removal, and will be collected monthly in arrears by deduction from the Member's House Account.

4.4 **Insurance**

It is the responsibility of a Member to maintain adequate insurance against such risks as it deems appropriate (or as may be required by LME Clear) in respect of all non-cash assets lodged as Collateral with LME Clear.

4.5 **Collateral Substitutions and Transfers, and Increases and Decreases of Triparty Custody Arrangement Collateral**

4.6 Other than in relation to the use of a Triparty Custody Arrangement, a substitution or transfer of Collateral is permitted only in accordance with Clearing Procedure D4.7(a) or D4.7(b) or with the prior written consent of LME Clear in each specific instance, provided that in each case the Member has given prior notice via the LMEmercury GUI (such notice being for the minimum period specified in Annex 2 (*Eligible Currencies, Collateral and Haircuts*)) to LME Clear of its request for such substitution or transfer and LME Clear is able to carry out such substitution or transfer. If a Member requests a substitution or transfer without giving such minimum prior notice, LME Clear may decline to effect such substitution or transfer until the end of the required notice period. LME Clear may impose such limits (either generally or in respect of a particular Member) as it may choose on the minimum and maximum amounts of any substitutions and transfers which may be carried out by a Member and on their frequency and may alter such limits from time to time.

4.6A In relation to the use of a Triparty Custody Arrangement:

(a) An increase of a Member's Triparty Transaction Amount shall be effective provided that in relation to each increase the Member has:

(i) given prior notice via the LMEmercury GUI (such notice being for the minimum period specified in the Rules) to LME Clear of the Member's intention to increase its Triparty Transaction Amount; and

(ii) submitted all required notifications to the Triparty Collateral Custodian to give effect to such increase.

For the avoidance of doubt, a Member shall not be required to seek consent from LME Clear in relation to an increase of the Member's Triparty Transaction Amount.

(b) A decrease of a Member's Triparty Transaction Amount shall be effective where Clearing Procedure D4.7(a), D4.7(b) or D4.7(c) is met, provided that in relation to each decrease the Member has:

(i) given prior notice via the LMEmercury GUI (such notice being for the minimum period specified in the Rules) to LME Clear of the Member's request to decrease its Triparty Transaction Amount and LME Clear has consented to such request; and

(ii) the Member has submitted all required notifications to the Triparty Collateral Custodian needed to give effect to the decrease.

For the avoidance of doubt, a Member shall be required to seek consent from LME Clear in relation to each decrease of its Triparty Transaction Amount.

(c) A substitution of Collateral within a Triparty Collateral Custody Account (whether a partial or total substitution) with other Eligible Collateral is permitted only where:

(i) Clearing Procedure D4.7 (a) or (b) is met through all required notifications having been made to the Triparty Collateral Custodian to give effect to the substitution (whether instructed or deemed, in accordance with the Settlement Finality Procedure); and

(ii) the required payment being made under (a), or transfer being made under (b), between the Member's Triparty Collateral Custody Account and LME Clear's Triparty Collateral Custody Account.

For the avoidance of doubt, a Member shall not be required to seek consent from LME Clear in relation to a substitution of the Member's Triparty Custody Arrangement Collateral.

In relation to Clearing Procedure 4.6A (a), (b) and (c) above, LME Clear may impose such limits (either generally or in respect of a particular Member) as it may choose on the minimum and maximum amounts of any increases and decreases of Triparty Transaction Amount and substitutions of Triparty Custody Arrangement Collateral that may be carried out by a Member and on their frequency and may alter such limits from time to time.

4.7 A Member may from time to time request LME Clear to release Collateral provided by it, its Posting Affiliate or its Posting Client:

(a) after payment to LME Clear of Eligible Cash in substitution for the Collateral to be released (a "**Substitution of Cash**"); or

(b) after transfer to LME Clear of Eligible Collateral (other than cash), including the transfer of LME Warrant Collateral by a Posting Affiliate or Posting Client, in substitution for the Collateral to be released (a "**Substitution of Non-cash Assets**"); or

(c) where the Collateral Value of such Collateral at the relevant time represents an excess in the Margin Requirement then applicable to the Member (an "**Excess Release**"),

provided that in each case the amount to be substituted or withdrawn exceeds the *de minimis* levels specified in Annex 2 (*Eligible Currencies, Collateral and Haircuts*) for such purpose.

4.8 Other than in relation to the use of a Triparty Custody Arrangement, each request for a Substitution of Cash, Substitution of Non-cash Assets or Excess Release will be acted upon only upon LME Clear being satisfied that:

(a) the Collateral Value of the Eligible Collateral provided by the Member, its Posting Affiliate or its Posting Client (both immediately prior to, and immediately after, giving effect to that release and applying the appropriate Haircut to the new Eligible Collateral) would be more than the Margin Requirement then applicable to the Member and such Eligible Collateral is not of a type which would breach any Collateral Limits (such as concentration limits) or any requirement for a minimum proportion and/or a minimum amount from time to time specified by LME Clear or, in the opinion of LME Clear, would create any additional risks (such as wrong way risk);

(b) no Default Event has occurred and is continuing in relation to the Member; and

(c) no circumstance referred to in Rule 2.4.1 or 2.4.4 has occurred and is continuing which may adversely affect the execution or pricing of such substitution.

4.8A In relation to the use of a Triparty Custody Arrangement, where LME Clear has permitted a Clearing Member to use automated functionality provided by the Triparty Collateral Custodian, which facilitates the automatic substitution of Triparty Collateral Arrangement Collateral to undertake a Substitution of Cash or Substitution of Non-cash Assets, the Clearing Member shall ensure that the conditions in sub-paragraphs (b) to (c) of Clearing Procedure D4.8 are at all times met. In relation to a request for a decrease to the Triparty Transaction Amount, the Clearing Member shall ensure that the conditions in sub-paragraphs (a) to (c) of Clearing Procedure D4.8 are at all times met.

4.9 If a Default Event has occurred and is continuing in relation to the Member, LME Clear will not release such Collateral unless and until otherwise expressly agreed by it.

4.10 In the case of a request to release Collateral in return for a Substitution of Cash, then where:

(a) the Collateral transferred to LME Clear on that substitution is Eligible Cash;

(b) the amount of Eligible Cash so transferred to LME Clear is such that its Market Value (less the appropriate Haircut) is not less than the Market Value (less the appropriate Haircut) of the Eligible Collateral being released on that substitution;

(c) the requirements set out in Clearing Procedure D4.8 above are fulfilled;

(d) LME Clear has consented to the Substitution of Cash (which may be conditional on the above requirements being fulfilled); and

(e) the Substitution of Cash would not result in the breach of any applicable Collateral Limits,

LME Clear will promptly arrange for the release of that Eligible Collateral in accordance with its usual practice as specified in Clearing Procedure D4.16 below.

4.11 In the case of a request to release Collateral in return for a Substitution of Non-cash Assets, then where:

(a) the Collateral transferred to LME Clear on that substitution is Eligible Collateral;

(b) the amount of Eligible Collateral so transferred to LME Clear is such that its Market Value (less the appropriate Haircut) is not less than the Market Value (less the appropriate Haircut) of the Eligible Collateral being released on that substitution;

(c) the requirements set out in Clearing Procedure D4.8 or 4.8A above, as applicable, are fulfilled;

(d) LME Clear has consented to the Substitution of Non-cash Assets (which may be conditional on the above requirements being fulfilled), as required;

(e) the Substitution of Non-cash Assets would not result in the breach of any applicable Collateral Limits; and

(f) in respect of a substitution of LME Warrant Collateral by a Member, its Posting Affiliate or Posting Client, the Member has provided to LME Clear prior to 11:00 a.m. on the day that such LME Warrant Collateral is to be substituted:

(i) the "Warrant ID" in respect of the corresponding LME Warrant; and

(ii) whether such LME Warrant Collateral is posted by the Member, by a Posting Affiliate in relation to the Affiliate Posting Structure, or by a Posting Client in relation to the Client Direct Posting Structure,

LME Clear will promptly arrange for the release of that Eligible Collateral in accordance with its usual practice as specified in Clearing Procedure D4.16 below.

4.12 In the case of a request to release Collateral as part of an Excess Release, then where:

(a) the requirements set out in Clearing Procedure D4.8 or 4.8A above, as applicable, have been fulfilled;

(b) LME Clear has consented to the release (which may be conditional on the above requirements being fulfilled); and

(c) the release of Collateral would not result in the breach of any applicable Collateral Limits,

LME Clear shall promptly arrange for the release of that Eligible Collateral in accordance with its usual practice as specified in Clearing Procedure D4.16 below.

4.13 Notwithstanding the foregoing provisions of this Clearing Procedure D, LME Clear shall have discretion whether to give or refuse its consent under Clearing Procedure D4.10 to

4.12 and, for this purpose, will run such series of limit and availability checks as it deems appropriate before deciding whether or not to release any Collateral.

4.14 **Collateral Timetable**

4.15 The following Table specifies the timescales within which Members shall ensure that Collateral called by LME Clear is deposited with LME Clear. All times are London times.

Placement		
Collateral Type	**Collateral lodged by**	**Member given value on**[5]
Cash – o/n Call	09:00	Day of receipt of Collateral
Cash lodge (EUR and GBP)	09:00	Day of receipt of Collateral
Cash lodge (USD)	17:00	Day of receipt of Collateral
Cash – intra-day Call (a) Between 08:00hrs & 20:00hrs (b) Between 0700hrs & 0800hrs	 (a) Within 60 minutes of call (b) By 0900hrs	Day of receipt of Collateral
Cash (EUR and GBP) – substitution, post 09:00	20:00	One (1) Business Day after the request (exclusive of the day of the request)
Financial Instruments	Central Securities Depository cut-off time: - Euroclear Bank: 17:00 - Euroclear UK & Ireland: 17:00 - Federal Reserve: 19:00	Settlement of Collateral
Gold	14:00	Upon allocation
LME Warrants	LMEsword: 12:30	Day of receipt of Collateral in LME Clear Pledged Account
Triparty Custody Arrangement Collateral (Note that, in accordance with Rule 8.1A, Triparty Custody Arrangement Collateral may	(a) For same day instructions: - Euroclear Bank: 17:00 (b)	(a) Settlement of Collateral Note in respect of next day and forward dated instructions – For the purposes of the Cover

[5] The term "given value on" should be understood as referring to the point at which LME Clear is in receipt of Collateral and, accordingly, accounts for such Collateral in LME Clear's books and records.

comprise both Securities Collateral and Cash Collateral.)	For next day instructions: By the following times: - Euroclear Bank: 17:00 on the Business Day preceding the value date (c) For forward-dated instructions: As under (b) above	Distribution Process, notwithstanding that a Member's obligation to provide Collateral to LME Clear is not discharged until the point at which LME Clear has received such Collateral, in relation to Triparty Custody Arrangement Collateral, the Cover Distribution Process shall use the following cut-off points to apply an assumed value to such Collateral in accordance with Clearing Procedure D5.14(b): (b) During the Cover Distribution process at End of Day on the Business Day preceding the value date (c) As under (b) above

A Member must notify LME Clear in advance of its intention to deposit Cash Collateral in the form of Yen or renminbi not later than the following deadlines:

(a) for Cash Collateral in the form of Yen, 12:00 hours London time on the Business Day prior to the day on which the Cash Collateral is to be lodged;

(b) for Cash Collateral in the form of renminbi, 09:00 hours London time on the US Business Day that falls not less than two (2) US Business Days prior to the day (which must be a US Business Day) on which the Cash Collateral is to be lodged,

and such notification shall specify the amount of Yen or renminbi (as applicable) that the Member will deposit with LME Clear. Such notification shall be made in writing and delivered through such means as detailed in the Operations GUI User Guide, as amended from time to time.

4.16 The following Table specifies the timescales within which LME Clear will endeavour to release to a Member Collateral that the Member has requested (where LME Clear has agreed to release such Collateral in accordance with these Clearing Procedures and including circumstances in which Collateral is to be released on LME Clear's behalf by a Triparty Collateral Custodian). These timescales are indicative only and are not contractually binding on LME Clear, and are subject to the Collateral Limits specified in Annex 2 (*Eligible Currencies, Collateral and Haircuts*) (see Collateral Management / Acceptable Collateral / Documents). The withdrawal timelines also assume that sufficient Collateral is in place with LME Clear to meet the Member's Margin Requirement prior to

release of the requested Collateral, and will remain sufficient following the release of the requested Collateral:

Withdrawal		
Collateral Type	**Notice by**	**Assets released to Member on**
Cash (EUR and GBP) – o/n	09:00	Day of the request
Cash (USD)	14:30	Day of the request
Cash (EUR and GBP) – substitution, post 09:00	20:00	One (1) Business Day after the request (exclusive of the day of the request)
CNH Cash -	09:30	The US Business Day which is two (2) US Business Days after the request (exclusive of the day of the request)
Financial Instruments	Central Securities Depository cut-off time: - Euroclear Bank: 17:00 - Euroclear UK & Ireland: 17:00 - Federal Reserve: 17:00	Upon settlement
Gold	10:00	Upon settlement
LME Warrants	LMEsword: 09:00	Day of receipt of notice
Triparty Custody Arrangement Collateral (Note that, in accordance with Rule 8.1A, Triparty Custody Arrangement Collateral may comprise both Securities Collateral and Cash Collateral.)	(a) For same day withdrawal: 17:00 (b) For next day withdrawal: By the following times: - Euroclear Bank: 17:00 on the Business Day preceding the value date (c)	Upon settlement

	For forward-dated withdrawal: As under (b) above	

4.17 **Expiry, Payment of Rent and Withdrawals**

(a) Members will be required to withdraw non-cash Collateral prior to its expiry date.

(b) In the case of LME Warrants, LME Clear will notify Members of the forthcoming occurrence of a Rent Date on the day falling five Business Days prior to such Rent Date. Members may be required to withdraw LME Warrants (including any LME Warrants posted by a Posting Affiliate or Posting Client), immediately upon request from LME Clear either at any time where such LME Warrants have unpaid rent outstanding or at any time on or after the day falling five (5) Business Days before the Rent Date.

(c) The Haircut applied to non-cash Collateral will be amended to one hundred per cent (100%) within such period prior to its expiry as is specified in Annex 2 (*Eligible Currencies, Collateral and Haircuts*) or, in the case of LME Warrant Collateral, from and including the day falling three (3) Business Days prior to the due date for payment of rent.

(d) In the case of a request to substitute, transfer or release LME Warrant Collateral the Haircut applied to the LME Warrants which are the subject of such substitution, transfer or release will be amended to one hundred per cent (100%) from the time that such request is received by LME Clear.

4.18 **Interpretation of "take", "release" and "return" of Collateral**

4.19 Where in the Rules LME Clear is stated to "take" any Collateral it shall mean the following:

(a) in the case of any Cash Collateral, exercising a right of set-off against or deduction from that cash;

(b) in the case of any Gold Collateral, disposing or otherwise liquidating that Gold;

(c) in the case of any Securities Collateral, disposing or otherwise liquidating those securities; and

(d) in the case of any LME Warrant Collateral, disposing of or otherwise liquidating that LME Warrant Collateral,

and depending on the context, "take" shall also mean enforcing any security interest in the relevant Collateral or exercising any right or remedy provided for in any Security Document, any Affiliate Security Document or any Posting Client Security Document in relation to the relevant Collateral or otherwise permitted or provided for by law.

4.20 Where in the Rules LME Clear is stated to "return" or "release" any Collateral to the relevant Member it shall be taken to mean the following:

(a) in the case of any Cash Collateral, paying a sum to that Member equal to that cash, whether directly, or indirectly through a Triparty Custody Arrangement;

(b) in the case of any Gold Collateral, transferring it into the name of that Member or otherwise returning it to that Member as contemplated by Clearing Procedure D 3.20;

(c) in the case of any Securities Collateral, delivering to that Member securities equivalent to those securities, whether directly, or indirectly through a Triparty Custody Arrangement; and

(d) in the case of any LME Warrant Collateral, instructing an ex-cleared transfer from the relevant LME Clear Pledged Account to such account of the Member in LMEsword or, in the case of LME Warrant Collateral provided by a Posting Affiliate or Posting Client, to the account of such Posting Affiliate or Posting Client in LMEsword, as is notified to LME Clear by the Member for such purposes.

4.21 **Return of Renminbi Collateral**

(a) Notwithstanding any other provision of Rule 8 (*Margin Requirement and Collateral*) or this Clearing Procedure D, LME Clear may postpone any return that is due to a Member of Cash Collateral denominated in renminbi if and to the extent that LME Clear has not received, or cannot deliver, the same into or from:

(i) its Settlement Account at its Approved Settlement Bank; or

(ii) its concentration bank account at its relevant Concentration Bank,

due to renminbi not being, or ceasing to be, sufficiently liquid, exchangeable or transferable or otherwise being the subject of currency controls.

(b) All payments in respect of Cash Collateral denominated in remninbi will be made solely by transfer to a renminbi bank account maintained in Hong Kong in accordance with prevailing rules and regulations. LME Clear cannot be required to make a payment by any other means (including in bank notes, by cheque or draft or by transfer to a bank account in the People's Republic of China).

4.22 **Renminbi Collateral Delivery**

Once a Member has notified LME Clear of its intention to lodge or withdraw renminbi Cash Collateral, the Member has an obligation to make such lodgement or withdrawal and will be liable for the reasonable costs and expenses of LME Clear in making arrangements for such lodgement or withdrawal should the Member wish to cancel, with LME Clear's agreement, such lodgement or withdrawal for any reason.

5. COVER DISTRIBUTION

5.1 "**Cover Distribution Process**" is the name given to the process operated by LME Clear at End of Day on each Business Day in order to calculate the amount of any net Cash Settlements between LME Clear and Members to be processed on the following Business Day. This includes both the Payment Obligations in respect of settled Contracts and the payment of Collateral in satisfaction of Margin Requirements.

5.2 The Cover Distribution Process involves the following steps, which shall be taken separately in relation to each Account:

(a) Step 1: determine Payment Obligations and calculate Available Cash;

(b) Step 2: calculate End of Day Margin Requirement;

(c) Step 3: calculate Available Non-cash Collateral;

(d) Step 4: calculate Available Cash Collateral;

(e) Step 5: calculate Minimum Cash Requirement;

(f) Step 6: determine Cash Settlement payable to or from Member (the Cover Distribution Process calculation).

5.3 These steps are explained in the following paragraphs below.

5.4 **Step 1: Determine Payment Obligations and calculate Available Cash**

5.5 LME Clear shall calculate:

(a) the amount of cash it holds at End of Day;

(b) the Payment Obligations, in each currency, and other Cash Settlements that are known to LME Clear to be due to be made on the following Business Day; and

(c) (for payments in a Forward Dated Currency) the Payment Obligations and other Cash Settlements that are known to LME Clear to be due to be made on the Business Day following the next Business Day,

in order to determine the balance of cash remaining, in each relevant currency, net of such Payment Obligations and other known Cash Settlements (such net balance being the "**Available Cash**").

5.6 For the avoidance of doubt, Payment Obligations include any Fees and other charges payable by the Member, together with those Payment Obligations specified in the table of Cash Settlements set out in Clearing Procedure E 3.3. For the avoidance of doubt, cash held as Default Fund Contributions and any Cash Settlements relating to Default Fund Contributions shall not be included in the calculation in Clearing Procedure D 5.5 above and shall be dealt with as separate Cash Settlements.

5.7 **Separate Process: Delivery Position Settlements for Sellers**

5.8 In order to manage physical delivery risk, LME Clear will only pay Sellers for their physical delivery of any Underlying Assets after the relevant Underlying Asset has been received by LME Clear. Consequently, LME Clear shall effect a Cash Settlement in satisfaction of LME Clear's Payment Obligation separately from any other Cash Settlements calculated and settled under the Cover Distribution Process described under this Clearing Procedure D5.

5.9 **Step 2: Calculation of End of Day Margin Requirement**

5.10 LME Clear shall calculate, in respect of each Account, the following values:

(a) the Initial Margin Requirement (IM) (*which shall always be a negative value*);

(b) the Discounted Contingent Variation Margin (DCVM) (*which may be a positive or a negative value*);

(c) the Net Liquidation Value (NLV) (*which may be a positive or a negative value*); and

(d) any additional margin determined in accordance with Clearing Procedure C5 (AM) (*which shall always be a negative value*).

For the avoidance of doubt, when making such calculations for a Gross Omnibus Segregated Client Account, the values to be applied in (a) to (d) above shall be the aggregated values for each such Account (comprising the values for all Allocation IDs, together with any values applicable to any Positions without Allocation IDs), as specified by Clearing Procedure C:2.3(b).

5.11 The sum of IM + DCVM + NLV + AM shall be the total End of Day Margin Requirement for the Account. Such End of Day Margin Requirement shall be determined in the Base Currency (USD), unless otherwise specified by LME Clear.

5.12 In the event that the End of Day Margin Requirement is a positive number, there shall be no liability to be offset and, due to the contingent nature of DCVM and NLV, the End of Day Margin Requirement to be included in the Cover Distribution Process shall be zero.

5.13 **Step 3: Calculation of Available Non-cash Collateral**

5.14 The "**Available Non-cash Collateral**" shall be calculated in respect of each Account on the basis that:

(a) non-cash Collateral held in respect of the Account shall be valued using the End of Day Price Set in order to identify a current value (after any applicable Haircut) for each asset comprised within such Collateral;

(b) where:

(i) non-cash Collateral that is still held by LME Clear other than in its account at a Triparty Collateral Custodian but which has been flagged by the Member for withdrawal or substitution on the following Business Day or on the Business Day thereafter (in accordance with Clearing Procedure D4) and any expired non-cash Collateral or Collateral to be withdrawn in accordance with the Clearing Procedure D4.17 shall not be considered to be Available Non-cash Collateral and shall be excluded from the Cover Distribution Process; and

(ii) non-cash Collateral that is held in LME Clear's Triparty Collateral Custody Account and which has been flagged by the Member for withdrawal or substitution on the following Business Day (in accordance with Clearing Procedure D4) and any expired non-cash Collateral to be withdrawn in accordance with Clearing Procedure D4.17 shall not be considered to be Available Non-cash Collateral and shall be excluded from the Cover Distribution Process. For the avoidance of doubt, non-cash Collateral that is held in LME Clear's Triparty Collateral Custody Account and which has been flagged by the Member for withdrawal or substitution on any Business Day after the following Business Day on which the Collateral is flagged shall be Available Collateral and shall not be excluded from the Cover Distribution Process; and

(iii) the non-cash Collateral that is held in LME Clear's Triparty Collateral Custody Account is to be increased on the next Business Day (by way of the Member notifying LME Clear of an increase to the Triparty Transaction Amount), the additional non-cash Collateral will be included within the Cover Distribution Process that takes place overnight at the end of the preceding Business Day. Where non-cash Collateral held in LME Clear's Triparty Collateral Custody Account is flagged by the Member for increase on any Business Day after the following Business Day (the "**Instructed Value**

Date"), such additional non-cash Collateral will not be included until the Cover Distribution Process that takes place overnight at the end of the Business Day preceding the Instructed Value Date. LME Clear will apply an "assumed value" to the additional non-cash Collateral that is to be placed by the Member into LME Clear's Triparty Collateral Custody Account as part of the Cover Distribution Process. The Member's obligation to ensure that it meets its Margin Requirement shall not be discharged until the point at which the Security Collateral that is to be placed by the Member has been recorded within LME Clear's Triparty Collateral Custody Account as having been received by LME Clear.

(c) LME Clear shall treat as available only the non-cash Collateral that is within any applicable Collateral Limits;

(d) LME Warrant Collateral will only be considered to be Available Non-cash Collateral if, at least three (3) Business Days prior to any Rent Date in respect of the corresponding LME Warrants, all amounts in respect of rent relating to such LME Warrants (including any amounts due on the applicable Rent Date) have been unconditionally paid in full;

(e) LME Warrant Collateral will only be considered to be Available Non-cash Collateral in respect of liabilities under Open Contracts outstanding between a Member and LME Clear which relate to the same metal as the Underlying Metal for such LME Warrant Collateral;

(f) LME Warrant Collateral will only be considered to be Available Non-cash Collateral if the Member has provided to LME Clear prior to 11:00 a.m. on the day that such LME Warrant Collateral is provided by way of security to LME Clear:

(i) the "Warrant ID" in respect of the corresponding LME Warrant; and

(ii) whether such LME Warrant Collateral is posted by the Member, by a Posting Affiliate in relation to the Affiliate Posting Structure, or by a Posting Client in relation to the Client Direct Posting Structure; and

(g) Rule 10.7.11 and Default Procedure Part D 2.12 shall apply.

5.15 **Step 4: Calculation of Available Cash Collateral**

5.16 LME Clear shall then determine what proportion and/or amount of the Available Cash can be treated as Cash Collateral.

5.17 When making such determination, LME Clear shall have regard to the fact that:

(a) a Member may have specified, in respect of any Account, that Cash Collateral will only be provided in US Dollars in which case, LME Clear will exclude any other currency credit balances from the Cash Collateral calculation;

(b) any Cash Settlement in respect of such 'excluded' currencies shall be settled through the Secure Payment System independently of the Cover Distribution Process. For the avoidance of doubt, Members will be called for, and must settle, all Payment Obligations in the relevant currency and are not permitted to have any debit balances with LME Clear; and

(c) LME Clear shall treat as available only the Cash Collateral that is within any applicable Collateral Limits.

(In the event of a currency holiday for the currency in which the debit balance occurs or which settlement in that currency on the following Business Day is not possible, LME Clear may request cover in an alternative currency.)

5.18 The Available Cash in each currency (as calculated under Step 1 and after any applicable Haircut) shall then be validated against the account criteria set by the Member to determine what should be included within the Cover Distribution Process calculation. Available Cash that is included in the Cover Distribution Process calculation is considered to be "**Available Cash Collateral**".

5.19 **Step 5: Calculate Minimum Cash Requirement**

5.20 For liquidity management purposes LME Clear imposes a "**Minimum Cash Requirement**" that is applicable to each Account maintained by the Member with LME Clear. This requires that for every Account a minimum proportion and/or minimum amount of the End of Day Margin Requirement shall be covered by cash.

5.21 The Minimum Cash Requirement is expressed as a percentage and/or an amount which is defined in Annex 2 (*Eligible Currencies, Collateral and Haircuts*).

5.22 **Step 6: Cover Distribution Calculation**

5.23 Available Cash Collateral and Available Non-cash Collateral are then applied against the End of Day Margin Requirement according to the following rules:

(a) Subject to Clearing Procedure Part D5.24 below, Available Non-cash Collateral shall be used before Available Cash Collateral, regardless of Haircut or currency.

(b) Within Available Non-cash Collateral, apply LME Warrant Collateral (including LME Warrant Collateral provided by a Posting Affiliate or Posting Client) in priority to other Available Non-cash Collateral in respect of liabilities under Open Contracts relating to metal of the same type as the Underlying Metal for the applicable LME Warrant Collateral, and otherwise apply assets (other than LME Warrant Collateral) with the lowest combined Haircut in priority to those with higher Haircuts. LME Warrant Collateral shall not be applied other than as set out in this paragraph (b).

(c) Where any Gold Collateral and any instruments comprising Securities Collateral have the same Haircut, LME Clear shall use the Gold Collateral in priority to the Securities Collateral.

(d) Where different instruments comprising Securities Collateral have the same Haircut, LME Clear shall:

(i) use same-currency assets before cross-currency assets; and

(ii) use assets with the shortest tenor first (for example, a five (5) year bond before a 10 year bond).

(e) Within Available Cash Collateral, where the option to use other currencies in addition to the Base Currency (USD) for cover purposes has been taken, LME Clear shall apply any RMB first, then apply assets with the lowest combined Haircut in priority to those with higher Haircuts, then apply Base Currency (USD) cash.

(f) The cash balance for each currency on the Account shall not be permitted to be in debit. The Cover Distribution Process therefore calculates three amounts in respect of each Account:

(i) the cash amount for each currency required to bring the cash balance on the Account back into credit or to a zero balance;

(ii) the cash amount required to ensure that sufficient Collateral is available and within applicable Collateral Limits (including bringing the cash balance on the Account back into credit or to a zero balance); and

(iii) the cash amount required to ensure that the Minimum Cash Requirement is available and within applicable Collateral Limits.

(g) If the Cover Distribution Process calculates that a cash amount shall be payable by the Member under (f) above, for each currency, the cash call made for the Account through the Secure Payment System shall be determined as the largest of these three numbers and shall be discharged as a Cash Settlement.

(h) If the Cover Distribution Process calculates that the Margin Requirements are covered and the cash balance on the Account is in credit and is greater than the Minimum Cash Requirement and within applicable Collateral Limits, the Member may:

(i) leave the excess cash with LME Clear, or

(ii) make an individual request for the return of any excess cash, or

(iii) have such excess cash, to the extent that it is in excess of any applicable balance agreed between the Member and LME Clear from time to time, auto-repaid by LME Clear (where such option has been selected by the Member as part of the set-up profile for that Account),

subject in each case to LME Clear's rights under the Rules, including in particular but without limitation any rights to limit or delay repayment of any Excess Collateral under Rule 8 (*Margin Requirement and Collateral*) or Clearing Procedure D4, and provided that any withdrawal would not result in a breach of the Rules including in relation to Collateral Limits.

5.24 Where LME Clear imposes a Minimum Cash Requirement applicable to each Account maintained by a Member with LME Clear, then Available Cash Collateral shall be used before Available Non-Cash Collateral for the purposes of the Cover Distribution Calculation, but only up to the amount of the Minimum Cash Requirement.

5.25 **Excess Cash Auto-repay**

A Member may nominate, in respect of an Account, that any cash balance calculated as being held by LME Clear in excess of its Cash Settlement obligations and Margin Requirements, after application of the Cover Distribution Process and above a level that can be specified by the Member, should be automatically returned to the Member's Settlement Account at the relevant Approved Settlement Bank on the next Business Day or (where the cash balance on the relevant Account is in a Forward Dated Currency) on the Business Day following the next Business Day. Notwithstanding that such option may have been selected by the Member in respect of any Account, LME Clear shall still be entitled to exercise its rights under Clearing Procedure D4 to refuse, delay or impose conditions on any such Excess Release.

5.26 **De minimis Limit for Cash Movements**

LME Clear may apply a *de minimis* limit to cash movements and will not call for or make Cash Settlements for amounts that are below this limit. This limit is defined in Annex 2 (*Eligible Currencies, Collateral and Haircuts*).

5.27 **Currency Centre Opening and Bank Holidays**

(a) Cash Settlement in any currency shall be made on those Business Days that are days on which cash payments may be facilitated in the country of issue of that currency, unless LME Clear determines that such payments can be made by alternative means on any day on which such country of issue is not capable of facilitating such payments.

(b) In the event that a Member is due to make a Cash Settlement in a currency on a Business Day which is a bank holiday or a public holiday in the country of issue of that currency, LME Clear may require that the Cash Settlement be made in an alternative currency (in accordance with Rule 2.17 (*Currency Conversion*)) and shall apply the Cover Distribution Process on the basis that the relevant Cash Settlement is to be made in that alternative currency.

(c) Cash Settlement in renminbi (CNH) shall be made on a US Business Day, in accordance with the timescales for settlements of Cash Collateral (CNH) set out in Clearing Procedures D4.15 and D4.16, as applicable.

5.28 **Intra-Day Cover Distribution Process**

An intra-day cover distribution run will also take place each Business Day at 14:00 hours which, where relevant, will follow the processes as described in Steps 1 to 6 above, with the exception that any excess cash balances will not be available for repayment. Non-cash Collateral that is held in excess of the Member's Margin Requirement subsequent to this process will be available for same day withdrawal, provided that the cut-off times set out at Clearing Procedure D 4.16 shall continue to be observed.

PART E – SECURE PAYMENT SYSTEM AND CASH SETTLEMENTS

1. INTRODUCTION

This Part E of the Clearing Procedures specifies the Clearing Procedures applicable to:

(a) the operation of the Secure Payment System (**Clearing Procedure E2**); and

(b) Cash Settlements (**Clearing Procedure E3**).

2. SECURE PAYMENT SYSTEM

2.1 LME Clear operates a direct debit system for the transfer of cash to and from the Settlement Accounts of Members held at Approved Settlement Banks. This system is called the Secure Payment System.

2.2 Each Member shall establish and maintain with one or more Approved Settlement Banks one or more Settlement Accounts capable of holding and making to LME Clear Cash Settlements in:

(a) the Eligible Currencies for any Asset Cover payable by the Member to LME Clear;

(b) the Settlement Currencies for any Eligible Product for which the Member effects or clears Transactions; and

(c) any other Currency in which the Member may be required to make (or receive) Cash Payments to (or from) LME Clear.

Different Approved Settlement Banks may be used for different currencies. A Member may not maintain more than one Approved Settlement Bank in respect of payments to be made in respect of any single Account in a single currency.

2.3 Members shall maintain their Settlement Accounts with institutions that are able to meet the payment deadlines determined by LME Clear from time to time. Failure of an Approved Settlement Bank to confirm a payment within the relevant payment deadlines specified by LME Clear may result in the Member being declared in Default.

2.4 LME Clear may issue Settlement Instructions in respect of Cash Settlements or in respect of a Member to the Member's Approved Settlement Bank in accordance with the operation of the Secure Payment System. Each Member shall ensure that its Approved Settlement Bank shall act on:

(a) Settlement Instructions calling for payment to LME Clear by debiting from the Member's Settlement Account the required cash amount and irrevocably crediting such cash amount to LME Clear's Settlement Account at the Approved Settlement Bank; or

(b) Settlement Instructions calling for receipt of payment from LME Clear by irrevocably crediting the Member's Settlement Account with the required cash amount.

2.5 **Discharge of Cash Settlement obligations**

(a) Discharge of Member’s Cash Settlement obligation

(i) Subject to (ii) below, a Member's obligation to make any Cash Settlement shall not be treated as discharged until the full amount of the cash payment, in the correct currency, is received and credited to LME Clear's concentration bank account at the Concentration Bank nominated by LME Clear to receive the payment.

(ii) LME Clear may elect, in its absolute discretion, not to transfer to its account at a Concentration Bank any amount of cash payment received pursuant to a Cash Settlement of a Member and to, instead, designate any other account under its control (whether at an Approved Settlement Bank or other financial institution) as the account representing the place of discharge of the Member's obligation to make such Cash Settlement. “Designation” in this context shall include, but shall not be limited to, LME Clear having consented to a Member’s use of a Triparty Custody Arrangement. In the event that LME Clear makes such election, the Member’s obligation to the make the relevant Cash Settlement shall (in respect of such designated amount of cash payment) be discharged at the time that the credit confirmation is received by LME Clear from the destination account via the SWIFT Messaging Gateway to debit the funds, or the payment instruction is otherwise communicated by LME Clear to the relevant Approved Settlement Bank or, in relation to the use by a Member of a Triparty Custody Arrangement, at the time that the cash payment is recorded as having been received into LME Clear’s Triparty Collateral Custody Account.

(b) Discharge of LME Clear’s Cash Settlement obligation

(i) Subject to (ii) and (iii) below, LME Clear's obligation to make any Cash Settlement shall be treated as discharged when the full amount of the cash payment, in the correct currency, is debited from LME Clear's concentration bank account at the relevant Concentration Bank.

(ii) LME Clear may elect, in its absolute discretion, to make a Cash Settlement using funds from an account under its control other than its concentration bank account at a Concentration Bank. For the avoidance of doubt, the term “elect” in this context shall include circumstances where LME Clear makes a Cash Settlement relating to the return of Collateral to a Member where that Collateral is held, and transferred from, LME Clear’s Triparty Collateral Custody Account. In the event that LME Clear makes such election, LME Clear’s obligation to the make the relevant Cash Settlement shall (in respect of such designated amount of cash payment) be discharged at the time that the debit confirmation is received by LME Clear from the relevant account via the SWIFT Messaging Gateway indicating that the funds have been debited or, in relation to the use by a Member of a Triparty Custody Arrangement, at the time that the cash payment is recorded as having been received into the Member’s Triparty Collateral Custody Account or instructed by LME Clear to be paid into the Member’s Triparty Collateral Custody Account, whether on an instructed or a deemed basis.

(iii) Where agreed with the Member, LME Clear may retain any amount due to be paid to the Member pursuant to a Cash Settlement, in which case such amount shall, from the time that such Cash Settlement would otherwise have been due, be treated as an Excess Member Payment and Cash Cover.

2.6 LME Clear shall be responsible for issuing instructions to each Approved Settlement Bank to transfer cash amounts in the discharge of Cash Settlements from LME Clear's Settlement

Account at the Approved Settlement Bank. Notwithstanding the foregoing, LME Clear shall have no liability to any member for any failure by an Approved Settlement Bank to act on LME Clear's instructions.

2.7 In the event that one or more Members do not receive a payment due to it as a consequence of the insolvency of its Approved Settlement Bank, LME Clear shall, if LME Clear makes a recovery from the estate of the Approved Settlement Bank, credit such recovery, net of LME Clear's costs, to the Members affected by such insolvency, in proportion to the respective amounts of the payments that such Members did not receive.

2.8 It is the responsibility of the Member to have sufficient funds or other arrangements in place with their Approved Settlement Bank(s) to ensure that calls by LME Clear for funds are met promptly.

2.9 Members shall complete and maintain in effect at all times SPS Mandate Forms for each Approved Settlement Bank at which they wish to operate a Settlement Account. These forms shall either be in the form available on the Website or (where no such form is available) in the form provided by each Approved Settlement Bank. Each Member shall ensure that copies of the completed SPS Mandate Forms, put in place with each Approved Settlement Bank, shall also be provided to LME Clear prior to the Member's commencing settlement operations using that Approved Settlement Bank. The Member shall notify LME Clear immediately if any SPS Mandate Form ceases to apply in respect of any Settlement Account maintained by the Member with an Approved Settlement Bank.

2.10 **SPS Payment Deadlines**

2.11 Members shall, and shall ensure that their Approved Settlement Banks, comply with the deadlines set out below. All times are London times.

Deadline	**Required Action**
End of Day Margin Requirement – margin call	
09:00hrs	Final confirmation required from the Member's Approved Settlement Bank that any cash Collateral in respect of the End of Day Margin Requirement has been paid.
Intra-Day Margin Requirement – margin call	
(a) Between: 08:00hrs & 20:00hrs (b) Between: 07:00hrs & 08:00hrs	(a) Save where (b) applies, the Member's Approved Settlement Bank is required to confirm within sixty (60) minutes of LME Clear issuing an instruction to pay cash Collateral in respect of an Intra-Day Margin Requirement that such cash has been paid for value on the same Business Day. (b) Where the instruction to pay cash Collateral in respect of an Intra-Day Margin Requirement is issued between 07:00 and 08:00, the Members's Approved Settlement Bank is required to confirm by 09:00hrs that such cash Collateral has been paid.

2.12 The times by which Cash Settlement in different currencies shall be completed shall be as specified in the file that can be accessed by logging in at the following link:

https://www.lme.com/LME-Clear/Technology#tabIndex=1

2.13 **Payment Arrangements**

The Member's payments to or from its Approved Settlement Bank shall be received within the deadlines set out in Clearing Procedure E2.11 (*SPS Payment Deadlines*). The Member's payments to or from its Approved Settlement Bank shall be issued:

(a) for a valid value date for the corresponding currency only; and

(b) for execution on said value date only.

2.14 **Bank Holidays**

(a) LME Clear shall require payments to be made, for value, on Business Days that are also days on which the relevant institutions in the country of issue of the relevant currency are able to facilitate such payment. Where a call for a currency is issued for a value date that is or subsequently becomes a bank holiday or public holiday in the country of issue of that currency and such payment cannot consequently be made on that value date (for example, in the event of the declaration of a bank holiday at short notice), LME Clear reserves the right to require such payment to be made in an alternative currency (in accordance with Rule 2.17 (*Currency Conversion*) and Clearing Procedure D).

(b) Notwithstanding the deadlines set out in Clearing Procedure E2.11 (*SPS Payment Deadlines*), in the event that a payment of Collateral is to be paid for value on a Business Day where the next following Business Day is a bank holiday or public holiday, either in the UK or in the country of issue of the currency in which such payment is to be made, such payment shall be made by such deadline on that Business Day as LME Clear shall specify by way of Notice. For the avoidance of doubt, and without limitation to the foregoing, LME Clear shall be entitled to specify such deadlines in order to ensure that it has sufficient time to invest the Cash Collateral following its receipt and prior to such bank holiday or public holiday.

2.15 **Contingency Payment Arrangements**

Each Member shall maintain appropriate contingency arrangements for the payment to LME Clear of Cash Settlements in the event that the Approved Settlement Bank appointed by the Member is unable for any reason to facilitate Cash Settlements in accordance with LME Clear's Settlement Instructions. Each Member shall notify LME Clear in writing of the contingency arrangements it maintains in accordance with this provision and shall ensure that LME Clear is notified of any change to such arrangements. The Member is responsible for ensuring that all Cash Settlements are discharged by or on its behalf by the times specified in the Clearing Procedures.

3. **CASH SETTLEMENTS**

3.1 All Cash Settlements in respect of Payment Obligations shall be calculated and settled in the currency of the relevant Contract, with the exception of LME Warrant Delivery Adjustments for Rent and Weight. LME Warrant Delivery Adjustments for Rent and Weight shall be settled in the Base Currency (USD).

3.2 There shall be no cross-currency netting of Cash Settlements.

3.3 **Cash Settlement Summary**

3.4 Each Cash Settlement specified in the table below shall be recorded against the relevant Account of the Member maintained in the books and records of LME Clear in accordance with Rule 4 (*Accounts).*

Cash Settlement Type	**Description**
Cash Contingent Variation Margin – Settlement to Market (inclusive Price Alignment Interest)	Debited from or credited to the relevant Account in the Settlement Currency on a daily basis.
Realised Variation Margin – Settlement to Market	Debited from or credited to the relevant Account in the Settlement Currency on a daily basis.
Option Premium	Either: (a) debited from the relevant Account (where the Member is the Buyer); or (b) credited to the relevant Account (where the Member is the Seller), in each case on the due date (as defined for the Eligible Product).
Position Expiry – Exchange Traded Futures (LMEminis & LME Index)	On expiry of the Instrument a final Settlement to Market net cash posting is calculated for each Account as the difference between the Settlement Price and the Closing Price for the open Position.
Position Expiry – Exchange Traded Monthly Average Futures	On expiry of the Instrument a net profit or loss Cash Settlement for the Prompt Date is calculated for each Account as the difference between the Monthly Average Settlement Price (MASP), and the traded price of the Open Contract.
Position Expiry – Exchange Traded Forwards, LMEprecious Futures & OTC Bullion Forwards	On expiry of the Instrument a net profit or loss Cash Settlement for the Prompt Date is calculated for each Account as the difference between the Settlement Price and the traded price of the Open Contracts.
Cash Settlement for Final Delivery Position - Exchange Traded Forwards, LMEprecious Futures & OTC Bullion Forwards	The procedures for Cash Settlements arising from Delivery Positions are documented in either: (a) The LME Warrant Delivery Procedure for LME Exchange Traded Forwards (See Clearing Procedure F2); or

	(b) The LMEprecious Future Delivery Procedure for LMEprecious Futures (See Clearing Procedure F3); or (c) The OTC Bullion Delivery Procedure for OTC Bullion Forwards. (See Clearing Procedure F4).
Delivery Adjustments for Rent and Weight Cash - Exchange Traded Forwards	The procedures for Cash Settlements arising from Delivery Adjustments for Rent and Weight Differences are documented in: The LME Warrant Delivery Procedure for LME Exchange Traded Forwards. **(See Clearing Procedure F2).**

3.5 Each Business Day, the net Cash Settlements calculated as falling due on the next Business Day in respect of each Account, pursuant to the table above shall be calculated by LME Clear.

3.6 The total net Cash Settlement amounts for each currency due to LME Clear from the Member are debited in the relevant currency to each Member's Settlement Account via the Secure Payment System on the due date subject to, and in accordance with, the daily Cover Distribution Process.

3.7 The total net Cash Settlement amounts for each currency arising as due to the Member from LME Clear are credited in the relevant currency to each Member's Settlement Account via the Secure Payment System on the due date subject to, and in accordance with, of the daily Cover Distribution Process.

PART F – PHYSICAL DELIVERY

1. INTRODUCTION

This Part F of the Clearing Procedures specifies the Clearing Procedures applicable to:

(a) the procedures for the discharge of Delivery Obligations in respect of Contracts for LME Warrants (**Clearing Procedure F2**); and

(b) the procedures for the discharge of Delivery Obligations in respect of Contracts for LMEprecious Futures (**Clearing Procedure F3**).

(c) the procedures for the discharge of Delivery Obligations in respect of Contracts for OTC Bullion Products (**Clearing Procedure F4**).

2. LME WARRANT DELIVERY PROCEDURES

2.1 Interaction with LME Rules for LMEsword

(a) LMEsword is the Approved Delivery Facility for Contracts in LME Warrants.

(b) A Member may not submit to LME Clear any Transaction in respect of LME Warrants unless it has first set-up the appropriate number and type of "Member Accounts" in LMEsword (referred to in this Clearing Procedure F2 as the "**Member LMEsword Clearing Account**"). This shall include establishing such number of Member LMEsword Clearing Accounts designated as "house" or "client" as shall be necessary to ensure that the LME Warrants can be delivered appropriately. As a minimum, each Member must establish a Member House LMEsword Clearing Account. Each Member that is a General Clearing Member must establish a Member Client LMEsword Clearing Account.

(c) LME Clear maintains one or more accounts for the collection and delivery of LME Warrants at LMEsword (referred to in this Clearing Procedure F2 as the "**LME Clear LMEsword Clearing Account**").

(d) LME Warrant deliveries are effected through LMEsword in accordance with the LME Rules. The LME Rules contain specific procedures applicable to the operation of LMEsword.

(e) For the purpose of this Clearing Procedure F:

(i) "**LMEsword**" means the system defined under the LME Rules as the "LMEsword System";

(ii) "**LMEsword Regulations**" and "**LMEsword Operating Procedures**" shall have the definitions set out in the LME Rules;

(iii) "**LME Warrants**" are "Warrants" within the meaning of the LME Rules; and

(iv) "**LME Premium Warrants**" are LME Warrants that are allocable to a specific geographical region, as further described in the LME Rules.

(f) Consequently, this Clearing Procedure F2 shall be read in conjunction with the LME Rules and the LMEsword Regulations and Operating Procedures. LME Clear and the Member shall therefore comply with the LME Rules and the LMEsword Regulations and Operating Procedures in relation to the performance of their respective Delivery Obligations under Contracts in LME Warrants.

(g) In the event of any conflict between this Clearing Procedure F2 and the LME Rules, the LME Rules shall prevail.

2.2 Instructions for Settlement of Delivery Positions

The Delivery Positions established in respect of each Account maintained by the Member with LME Clear shall be settled on the Prompt Date. This means that, on the Prompt Date:

(a) the Payment Obligation and the Delivery Obligation comprising the Delivery Position in respect of Contracts to be settled on that date, shall be fulfilled by LME Clear and the Member respectively;

(b) Members who are Sellers under Contracts for LME Warrants (and who therefore have the Delivery Obligation) shall issue a Warrant Transfer Instruction to LME Clear via LMEsword on which the Delivery Position for LME Warrants indicates that the Member is to perform the Delivery Obligation;

(c) Members who are Buyers under Contracts for LME Warrants (and who therefore have the Payment Obligation) shall receive from LME Clear a Warrant Transfer Instruction via LMEsword on which the Delivery Position for LME Warrants indicates that LME Clear is to perform the Delivery Obligation; and

(d) in respect of LME Aluminium Premium Contracts:

(i) Members who are Buyers (and who therefore have an LME Premium Warrant Payment Obligation) shall issue a Warrant Transfer Instruction to LME Clear via LMEsword which indicates that the Member is to perform the LME Premium Warrant Payment Obligation; and

(ii) Members who are Sellers shall receive from LME Clear a Warrant Transfer Instruction via LMEsword which indicates that LME Clear is to perform the LME Premium Warrant Payment Obligation.

2.3 Final Delivery Position and Warrant Movements

Where:

(a) Delivery Positions for the same Prompt Date exist on an Account in respect of the same Underlying Asset, but for different Settlement Currencies;

then

(b) a Final Delivery Position in respect of that Underlying Asset on the Account shall be calculated by LME Clear by applying the calculation set out in Clearing Procedure B7.3 in order to determine the net of the Purchase Positions and Sale Positions for the Underlying Asset across currencies on that Account;

then

(c) the Warrant Movements for the Member in respect of that Underlying Asset shall be calculated by LME Clear by applying the calculation set out in Clearing Procedure B7.4 in order to determine the Warrant Movements required to settle the Final Delivery Positions through LMEsword between LME Clear and the Member.

The Warrant Movements shall be the number of LME Warrants deliverable through LMEsword by whichever of LME Clear or the Member has the Delivery Obligation.

For the avoidance of doubt, LME Clear and the Member shall also be subject to additional obligations to deliver LME Warrants pursuant to LME Premium Warrant Payment Obligations in respect of any LME Aluminium Premium Contracts for which they are, respectively, the Buyer.

For the further avoidance of doubt, Delivery Positions, Final Delivery Positions and Warrant Movements in respect of Gross Omnibus Segregated Client Accounts shall be determined on an Account-level basis, and shall not be determined separately for each Allocation ID. It shall be the sole responsibility of the Member to manage the allocation of Warrant Movements to each entity identified by an Allocation ID.

2.4 **LME Clear LMEsword Clearing Account**

LME Warrants transferred:

(a) from a Member (as Seller) to LME Clear; and

(b) from LME Clear to a Member (as Buyer),

will be made to or from (as applicable) the LME Clear LMEsword Clearing Account. The allocation of LME Warrants to Members (as Buyers) will be performed whilst the LME Warrants are held in this account.

2.5 **Member LMEsword Clearing Account**

2.6 LME Warrants allocated to:

(a) a Member (as Buyer) in fulfilment of Delivery Obligations of LME Clear; or

(b) a Member (as Seller) in fulfilment of LME Premium Warrant Payment Obligations of LME,

will be transferred:

(i) from the LME Clear LMEsword Clearing Account; and

(ii) to the Member LMEsword Clearing Account to which the Warrant Movement or LME Premium Warrant Payment Obligation (as applicable) relates. For the avoidance of doubt:

(1) the LME Warrants that discharge a net Purchase Position on the Member's House Accounts will be transferred to the Member House LMEsword Clearing Account; and

(2) the LME Warrants that discharge a gross Purchase Position on the Member Client Accounts will be transferred to the Member Client LMEsword Clearing Account.

2.7 **LMEsword - Notification of Delivery Commitments and Entitlements**

(a) Members with Delivery Positions will be notified of the Warrant Movements required to settle their Delivery Obligations, via LMEsword, for the relevant Prompt Date.

(b) Members with LME Premium Warrant Payment Obligations will be notified of such, via LMEsword, for the relevant Prompt Date.

2.8 **LME Warrant Collection**

(a) LME Clear will, via LMEsword, automatically initiate a LME Warrant collection process at the delivery deadline (11:00 hours). All LME Warrants nominated in a Warrant Transfer Instruction issued by the Member (as Seller) will be transferred from the relevant Member LMEsword Clearing Account to the LME Clear LMEsword Clearing Account.

(b) The Member (as Seller) will receive a separate notification, via LMEsword, in respect of each Underlying Asset, informing them that the LME Warrant collection process has been executed. This shall also apply where the Member is a Buyer with an LME Premium Warrant Payment Obligation.

2.9 **LME Warrant Allocation and Delivery**

(a) LME Clear will initiate the LME Warrant allocation and delivery process.

(b) The LME Warrants held in the LME Clear LMEsword Clearing Account will be sorted and allocated in accordance with the "LMEsword Warrant Allocation Method" (as documented in the LMEsword Operating Procedures).

(c) The LME Warrants allocated to a Member (as Buyer) will be transferred from the LME Clear LMEsword Clearing Account to the relevant Member LMEsword Clearing Account as described in Clearing Procedure F2.6.

(d) The Member (as Buyer) will receive a separate notification, via LMEsword, in respect of each Underlying Asset, informing them that the transfer of LME Warrants has been executed.

(e) Clearing Procedures F2.2.9(c) and (d) above shall also apply to a Member (as Seller) in respect of any LME Premium Warrant Payment Obligation under which the Member is due to receive LME Warrants.

2.10 **Clearing System Reports**

(a) LME Clear shall make available certain Reports relating to deliveries of LME Warrants via the Website.

(b) Details regarding the nature and content of these Reports are set out in Annex 4 (*List of Available Reports*).

2.11 **LMEsword Reports**

The following reports can be accessed by Members via LMEsword:

(a) Warrant Collection Adjustment Invoice

This report lists the LME Warrants collected by LME Clear from the Member (as Seller) and displays to the Member the rent and weight adjustment due on those LME Warrants. A separate report is produced for each Warrant Movement and for each LME Premium Warrant Payment Obligation.

(b) Warrants Allocation Adjustment Invoice

This report lists the LME Warrants allocated by LME Clear to the Member (as Buyer) and displays to the Member the rent and weight adjustment due on those LME

Warrants. A separate report is produced for each Warrant Movement and for each LME Premium Warrant Payment Obligation.

2.12 Invoice and Account Sales Calculation

LME Clear calculates the amounts due to the Member (as Seller) or payable by the Member (as Buyer) against the net Open Contracts in the relevant Eligible Product and Settlement Currency. The calculation is as follows:

Amount = Contract weight x Settlement Price x lots.

where:

(i) the Settlement Price is in the Settlement Currency of the open Position (JPY, EUR, USD, GBP) and is set in accordance with LME Rules (specifically the "Trading Regulations");

(ii) the Contract weight is determined in accordance with the LME Rules (specifically the "Special Contract Rules for Metals").

Invoice and Account Sales Calculation – Example:

Using the above formula where:

Contract weight	=	25 Tonnes
Settlement Price	=	USD 1,500.00
Delivery Position in Lots	=	10
Total Invoice/Account Sale	=	25 x 1,500 x 10
Value	=	USD 375,000.00

The total invoicing amount is shown on relevant Reports made available by LME Clear each of which may be accessed via the Website.

2.13 Payment of Invoice and Account Sales

(a) The Payments Obligations of each Member (as Buyer) on each Business Day are posted to the debit of the relevant Account of the Member as part of the previous Business Day's End of Day Cover Distribution process (in accordance with Clearing Procedure D5). Notwithstanding the foregoing, Payment Obligations that are to be discharged by payments in Japanese Yen shall be posted to the debit of the relevant Account in accordance with the End of Day Cover Distribution process applicable to Japanese Yen.

(b) Following the receipt of LME Warrants from Members (as Sellers) and unless otherwise agreed with the Seller, LME Clear makes the Settlement Payment to the Member's Settlement Account at an Approved Settlement Bank, via the Secure Payment System (or by any other method specified by LME Clear).

(c) **Japanese Yen**

(i) Payments are made to, or called from, LME Clear's Settlement Account at the Approved Settlement Bank.

(ii) Where the Member has the Payment Obligation, the invoice value is a debit posted to the Member's Settlement Account at the Approved Settlement Bank and called by 09:00 hours on the morning of the Business Day prior to the day on which delivery is due, but for value on the delivery day.

(iii) Where LME Clear has the Payment Obligation, the Settlement Payment value is a credit posted to the LME Clear's Settlement Account at the Approved Settlement Bank prior to the delivery day. Payment will be made against the delivery of LME Warrants, on the delivery day, for same day value to the Members' Settlement Account via the Secure Payment System (by approximately 12:30 hours).

(iv) Members may access the "Member Japanese Yen Settlement Advice Listing Report" via the Website.

(d) **US Dollar/Sterling and Euro**

(i) Payments are made to or called from LME Clear's Settlement Account at the Approved Settlement Bank.

(ii) All Payment Obligations of the Member and all Settlement Payments due from LME Clear are debited and credited on the delivery day for same day value.

(iii) Where the Member has the Payment Obligation, the invoice value is a debit posted to the Member's Settlement Account at the Approved Settlement Bank and paid by 09:00 hours.

(iv) Where LME Clear has the Payment Obligation, the Settlement Payment value is a credit posted to the Members' Settlement Account via the Secure Payment System after the delivery of LME Warrants (by approximately 12:30 hours).

(v) On the Settlement Date, sold lots, for the same Underlying Asset, in USD, GBP or EUR are netted against bought lots in other Settlement Currencies. The Settlement Payment for the netted lots shall be credited or debited to the appropriate LME Clear Settlement Account for the Settlement Currency. Remaining sold lots are delivered under normal procedures.

Example:

				Invoice Value	**Account Sale**	**Confirmation**
Currency	**Metal**	**Bought**	**Sold**	**DR**	**Value CR**	**Time**
USD	AHD		25		USD 1,250,000.00	12:30hrs
EUR	AHE	20		EUR1,300,000.00		09:00hrs

In the above example, the "Account Sale" value of USD 1,250,000 (that is, the Settlement Payment value due from LME Clear) in respect of the remaining sold five (5) lots will be credited to the Member's Settlement Account at its Approved Settlement Bank at approximately 12:30 hours following delivery by the Member of the appropriate LME Warrants.

Note: for the purpose of this example approximate Invoice and Account Sale values are used.

2.14 **Settlement Adjustment – Rent and Weight Differences**

(a) The Payment Obligations under each Contract for LME Warrants shall be subject to adjustments to reflect the accrued rent and any difference between LME Warrant weight and Contract tonnage weight ("**Rent and Weight Adjustments**").

(b) Rent and Weight Adjustments due to or from a Member are detailed on the Warrant Collection Adjustment Invoice and Warrant Allocation Adjustment Invoice produced by LMEsword.

(c) The rent and weight values in respect of each Warrant Movement and LME Premium Warrant Payment Obligation settling on any Business Day, calculated in the Base Currency (USD), are netted against each other to create an overall debit or credit amount in respect of all Delivery Positions and LME Premium Warrant Payment Obligations settling with the Member on that Business Day. This overall debit or credit amount shall be the "**Rent and Weight Debit or Credit**".

(d) This Rent and Weight Debit or Credit is posted to the Member's USD Settlement Account at the Approved Settlement Bank on the Business Day on which delivery of the LME Warrant takes place, for value and settlement on the next Business Day.

(e) The rent and weight accounting entries are posted separately to the Member's primary House Account in respect of each type of Underlying Asset (metal) and can be reconciled against either the Warrant Collection Adjustment Invoice or the Warrant Allocation Adjustment Invoice.

(f) In the event that a Member allocates any LME Warrant delivered by LME Clear to a Client, it is the sole responsibility of the Member to ensure that any right or obligation of the Member in respect of Rent and Weight Adjustments associated with that LME Warrant are recorded in an appropriate Account, in order to enable the Member to satisfy any obligations it has under Applicable Law to segregate client monies from monies due to or from the Member for its own account. In the event that the Member requires any Rent and Weight Debit or Credit to be allocated to a Client Account, it must promptly notify LME Clear and in any event must make such notification prior to the Close of Business on the day on which the relevant LME Warrant was delivered by LME Clear to the Member.

2.15 **Delivery Timetable**

(a) LME Warrants shall be delivered in accordance with the delivery timetable set out in Annex 7 (*Delivery Timetables*), as amended by LME Clear from time to time. LME Clear may temporarily extend any timescales or deadlines set out below where LME Clear considers it necessary or appropriate to do so. In the event that LME Clear extends any deadline or timetable, LME Clear shall notify the affected Members.

(b) In the event that such extension is in response to a Member's failure or anticipated failure to meet the delivery timetable set out in Annex 7, such failure or anticipated failure will constitute an Act of Misconduct notwithstanding the granting of such extension.

2.16 **Delivery Procedures**

(a) **Cessation of Trading**

(i) **Japanese Yen**

Transactions shall be input to the LMEsmart Matching System by 20:00 hours, two (2) Business Days prior to the delivery day (i.e. "cash" Prompt Date).

(ii) **US Dollar, Sterling and Euro**

Contracts shall be entered into by 12:30 hours and input to the LMEsmart Matching System by 13:30 hours on the Business Day prior to the delivery day (i.e. "TOM" Prompt Date).

(b) **On the Day Prior to Delivery Date**

(i) **By 09:00 Hours**

For JPY (only)

LME Clear will:

(1) debit Members (as Buyers) their Payment Obligation as specified on the invoice; and

(2) credit Members (as Sellers) the Settlement Payment,

for value on the Prompt Date.

(ii) **By 16:00 Hours**

The netted Final Delivery Position, for each Account of the Member is calculated by netting the uncovered lots across Settlement Currencies for each Underlying Asset (metal). The Warrant Movements and LME Premium Warrant Payment Obligations are then calculated for the Member as described in Clearing Procedure B7.

The *Invoice and Account Sales* report is made available via an enquiry screen in the Clearing System.

The Warrant Movements and relevant Settlement Prices (including LME Premium Warrant Payment Obligations) are notified by the Clearing system to the LMEsword system.

(iii) **By 16:30 Hours**

Each Member (i) (as Seller) with a Delivery Obligation or (ii) (as Buyer) with an LME Premium Warrant Payment Obligation, receives, in respect of its Member LMEsword Clearing Account an "*Unauthorised" Warrant Transfer Instruction* from LMEsword for each Underlying Asset (metal).

This instruction may be discarded by the Member (as Seller) and a new instruction created.

Members (as Sellers) shall deliver to LME Clear the number of LME Warrants equal to their selling Warrant Movements.

Members (as Buyers) shall deliver to LME Clear the number of LME Warrants equal to their LME Premium Warrant Payment Obligations.

The Member (as Seller or, in the case of LME Premium Warrant Payment Obligations, as Buyer) may nominate LME Warrants as soon as the "*Unauthorised" Warrant Transfer Instruction* is received by making an "*Authorised" Warrant Transfer Instruction* to LME Clear. The nomination can take place at any time up to 11:00 hours on the Prompt Date.

(c) **Delivery Date**

(i) **By 07:30 Hours**

LME Clear will make the following Reports available in the Clearing System, via the Website:

(1) Invoice and Account Sales; an

(2) Prompt Date Settlement Report.

(ii) **By 09:00 Hours**

LME Clear will debit Members (as Buyers) their Payment Obligations in respect of their Receive Entitlements for the amount specified in the *Invoice and Account Sales* Report.

(iii) **By 10:30 Hours**

Members (as Sellers) who anticipate that their Delivery Obligation will be made after the 11:00 hours delivery deadline or who are unable to fulfil their Delivery Obligation shall inform LME Clear.

Members (as Buyers) who anticipate that their LME Premium Warrant Payment Obligation will be made after the 11:00 hours delivery deadline or who are unable to fulfil their LME Premium Warrant Payment Obligation shall inform LME Clear.

Any delivery failure of LME Warrants, absent the declaration of a Default Event, will be resolved in accordance with the LME Rules. For the avoidance of doubt, in the event that LME Clear determines that the delivery failure shall constitute a Default Event, it shall be entitled to take any action or exercise any right permitted under the Rules. This paragraph is without prejudice to any other rights that LME Clear may have under the Rules in relation to any breach by a Member of its obligations under the Rules, including any right to effect a Buy-In and/or to Invoice Back.

(iv) **By 11:00 Hours**

The Member (as Seller) shall nominate LME Warrants in fulfilment of their advised selling Warrant Movements by issuing to LME Clear an "*Authorised" Warrant Transfer Instruction*.

Where applicable, the Member (as Buyer) shall nominate LME Warrants in fulfilment of their advised LME Premium Warrant Payment Obligations by issuing to LME Clear an *"Authorised" Warrant Transfer Instruction*.

(v) **At 11:00 Hours - Delivery Deadline**

The LMEsword system will initiate the LME Warrant collection process. All LME Warrants specified in a Member's (as Seller) *Authorised Cleared Transfer Instruction* will be transferred to the LME Clear LME Sword Clearing Account.

(vi) **Approximately 11:30 Hours**

The Member (as Seller or, in the case of LME Premium Warrant Payment Obligations, as Buyer) will receive notification, via LMEsword, that the LME Warrants specified in their "*Authorised" Warrant Transfer Instruction* have been collected.

LME Clear will initiate the *Warrant Allocation and Delivery* process. All LME Warrants collected will be ordered in accordance with the LMEsword warrant allocation method.

LME Clear will transfer the allocated LME Warrants to the Member's (as Buyer or, in the case of LME Premium Warrant Payment Obligations, as Seller) relevant Member LMEsword Clearing Account. The Member will receive notification via the LMEsword system of the LME Warrants transferred from LME Clear.

(vii) **Approximately 12:30 Hours**

Following receipt of all LME Warrant Delivery Obligations from the Member (as Seller) LME Clear will credit the Settlement Payment amount to the Member's Settlement Accounts at its Approved Settlement Banks via the Secure Payment System, for value on the Prompt Date.

(viii) **By 13:00 Hours**

Following the completion of the *Warrant Collection* and *Warrant Allocation Delivery* process the LME will make the following reports available via LMEsword:

(1) Warrant Collection Adjustment Invoice; and

(2) Warrant Allocation Adjustment Invoice.

The Rent and Weight Credit and Debit amounts are posted to Members' USD Settlement Accounts for value and settlement on the next Business Day after the Prompt Date.

Members are advised to print these reports and retain them as a record of their LME Warrant deliveries.

(ix) **At 15:00 Hours - End of LMEsword cleared transfer day**

2.17 **Post-Default Delivery at the Request of LME Clear**

Where LME Clear exercises its powers under Rule 10.4.1(u) to require LMEsword to deliver to LME Clear an LME Warrant that is the subject of an "Authorised Warrant Transfer Instruction" issued by a Member prior to its becoming a Defaulting Member, the procedures for delivery of such LME Warrant in this Clearing Procedure F2 shall be applied to the transfer of such LME Warrant subject to, and in accordance with, the following:

(a) LME Clear shall record any Rent and Weight Debit or Credit arising from such settlement as a debit or credit against the relevant Account of the Defaulting Member; and

(b) where and to the extent that the Settlement Payment, in respect of the LME Warrant, is not received or accepted by the Defaulting Member's Approved Settlement Bank, the amount of such Settlement Payment shall be recorded as a credit against the relevant Account of the Defaulting Member.

3. LMEPRECIOUS FUTURE DELIVERY PROCEDURE

3.1 Introduction

(a) Physical metal settlement of Contracts in respect LMEprecious Futures is discharged by the transfer of unallocated Precious Metal between metal accounts held with Precious Metal Clearers.

(b) Therefore, prior to clearing LMEprecious Futures, Members shall open and maintain appropriate "**Unallocated Metal Account**s" with a Precious Metal Clearer that LME Clear has confirmed can act as an Approved Delivery Facility for the purpose of this Clearing Procedure F3. Members shall advise LME Clear of their Unallocated Metal Accounts as part of their application to LME Clear to commence clearing of LMEprecious Futures.

(c) Members shall at all times comply with any applicable rules and operating procedures of the Precious Metal Clearer.

(d) Delivery Positions are settled separately in respect of each Account of the Member on the Prompt Date.

(e) Separate Delivery Positions in respect of different Precious Metals shall be established in respect of each Account.

(f) All unallocated Precious Metal shall be delivered free and clear of all encumbrances.

(g) This Clearing Procedure F3 shall be read in conjunction with the LME Rules. LME Clear and the Member shall therefore comply with the LME Rules in relation to the performance of their respective Delivery Obligations under LMEprecious Contracts. In the event of any conflict between this Clearing Procedure F3 and the LME Rules, the LME Rules shall prevail.

(h) In this Clearing Procedure F3, Precious Metal shall be considered to have been "received" by a party when its Precious Metal Clearer records the receipt of such unallocated Precious Metal in its books and records as being credited to the Unallocated Precious Metal Account maintained for such party.

3.2 **Standing Settlement Instructions for LME Clear**

All unallocated Precious Metal deliveries to LME Clear should be made to LME Clear's nominated Precious Metal Clearer, in accordance with the Settlement Instructions issued by LME Clear.

3.3 **Notification of Delivery Commitments and Entitlements**

Members with Delivery Positions shall be notified of their Delivery Obligations and Receive Entitlements for the relevant Prompt Date.

3.4 **Clearing System Reports**

(a) LME Clear shall make available certain Reports relating to deliveries of unallocated Precious Metal via the LMEmercury GUI.

(b) Details regarding the nature and content of these Reports are set out in Annex 4 (*List of Available Reports*).

3.5 **Payment of Invoice and Account Sales**

(a) Payments are made to or called from LME Clear's Settlement Account at the Approved Settlement Bank.

(b) The Payment Obligations of each Member (as Buyer) on each Business Day are:

(i) posted to the debit of the relevant Account of the Member as part of the previous Business Day's Cover Distribution Process; and

(ii) called by 09:00 hours.

(c) Following the receipt of unallocated Precious Metal from a Member (as Seller), the Settlement Payment value is posted to the credit of the Members' Settlement Account at its Approved Settlement Bank via the Secure Payment System (or by any other method specified by LME Clear). As this posting is dependent on performance by the Member of its Delivery Obligation, it may take place between approximately 09:05 hours and the daily delivery deadline of 16:00 hours.

3.6 **Delivery Timetable**

LMEprecious Futures shall be settled in accordance with the timetable for deliveries set out in Annex 7 (*Delivery Timetables*), as amended by LME Clear from time to time.

3.7 **Delivery Procedures**

(a) **Cessation of Trading**

Transactions shall be executed and input into the LMEsmart matching system by 16:00 hours on the Business Day prior to the delivery day (i.e. "TOM" Prompt Date).

(b) **On the Day Prior to Delivery Date**

(i) **During the End of Day processes**

The Delivery Position, in respect of each Account of the Member is calculated for each type of Underlying Asset (metal).

The "*Invoice and Account Sales"* Report is made available via an enquiry screen in the Clearing System.

(c) **Delivery Date**

(i) **By 07:30 Hours**

LME Clear will make the certain Reports available in the Clearing System, as specified in Annex 4 (*List of Available Reports*).

(ii) **By 09:00 Hours**

LME Clear will debit Members (as Buyers) their Payment Obligations in respect of their Receive Entitlements for the amount specified in the "*Invoice and Account Sales"* Report.

(iii) **By 15:00 Hours**

Members (as Sellers) shall instruct their Precious Metal Clearer to transfer unallocated Precious Metal to LME Clear in order to fulfil their Delivery Obligations.

Members (as Buyers) shall instruct their Precious Metal Clearer to receive unallocated Precious Metal from LME Clear, which will fulfil their delivery entitlement.

(iv) **By 9.05 Hours**

Subject to Rule 7.9 (*Postponed Delivery (LMEprecious)*), LME Clear (as Seller) shall instruct its Precious Metal Clearer to transfer unallocated Precious Metal to Buyers.

(v) **From 9.05 Hours to 16:00 Hours**

LME Clear (as Buyer) will receive the unallocated Precious Metal from each Seller.

Each Buyer will receive the unallocated Precious Metal from LME Clear.

The Sellers will receive notification from their Precious Metal Clearer that their unallocated Precious Metal transfer instruction has been executed.

Following receipt of all Delivery Obligations from the Member (as Seller) LME Clear will credit the Settlement Payment amount to the Member's Settlement Account at its Approved Settlement Bank via the Secure Payment System, for value on the Prompt Date (or, where Rule 7.9.1 applies, and LME Clear has accepted the delivery of the Underlying Asset, for value on the next following Business Day, at a time and to such of the Member's Settlement Accounts that are capable of accepting such Settlement Payment at the relevant time as LME Clear may nominate).

(vi) **At 16:00 Hours - End of Precious Metal Transfer Day**

4. OTC BULLION PRODUCT DELIVERY PROCEDURE

[Note that OTC Bullion Products are not Eligible Products at the moment. This section is therefore included to ensure that the Rulebook is easily adaptable to new products that may be included in the future.]

4.1 Introduction

(a) Physical metal settlement of Contracts in respect of OTC Bullion Products ("**OTC Bullion Contracts**") is discharged by the transfer of unallocated [Bullion] between accounts held with Precious Metal Clearers.

(b) Therefore, prior to clearing OTC Bullion Contracts, Members shall open and maintain appropriate "**Unallocated Metal Accounts**" with Precious Metal Clearers that LME Clear has confirmed can act as an Approved Delivery Facility for the purpose of this Clearing Procedure F4. Members shall advise LME Clear of their Unallocated Metal Accounts as part of their application to LME Clear to commence clearing of OTC Bullion Contracts.

(c) Members shall at all times comply with any applicable rules and operating procedures of the Precious Metal Clearer.

(d) Delivery Positions are settled separately in respect of each Account of the Member on the Prompt Date.

(e) All unallocated [Bullion] shall be delivered free and clear of all encumbrances.

4.2 Standing Settlement Instructions for LME Clear

All unallocated metal deliveries to LME Clear should be made to LME Clear's nominated Precious Metal Clearer, in accordance with the Settlement Instructions issued by LME Clear.

4.3 Notification of Delivery Commitments and Entitlements

Members with Delivery Positions will be notified of their Delivery Obligations and Receive Entitlements for the relevant Prompt Date.

4.4 Clearing System Reports

(a) LME Clear shall make available certain Reports relating to deliveries of LME Warrants via the Website.

(b) Details regarding the nature and content of these Reports are set out in Annex 4 (*List of Available Reports*).

4.5 Payment of Invoice and Account Sales

(a) Payments are made to or called from LME Clear's Settlement Account at the Approved Settlement Bank.

(b) The Payments Obligations of each Member (as Buyer) on each Business Day are:

(i) posted to the debit of the relevant Account of the Member as part of the previous Business Day's Cover Distribution Process; and

(ii) called by 09:00 hours.

(c) Following the receipt of unallocated [Bullion] from a Member (as Seller), the Settlement Payment value is posted to the credit of the Members' Settlement Account at its Approved Settlement Bank via the Secure Payment System (or by any other method specified by LME Clear). As this posting is dependent on performance by the Member of its Delivery Obligation, it may take place between approximately 12:30 hours and the LPMCL daily delivery deadline of 16:00 hours.

4.6 **Delivery Timetable**

OTC Bullion Contracts shall be settled in accordance with the timetable for deliveries set out in Annex 7 (*Delivery Timetables*), as amended by LME Clear from time to time.

4.7 **Delivery Procedures**

(a) **Cessation of Trading**

Transactions shall be executed by 14:30 hours and input into the LMEsmart matching system by 14:45 hours on the Business Day prior to the delivery day (i.e. "TOM" Prompt Date).

(b) **On the Day Prior to Delivery Date**

(i) **By 16:00 Hours**

The Delivery Position, in respect of each Account of the Member is calculated for each type of Underlying Asset ([Bullion]).

The "Invoice and Account Sales" Report is made available via an enquiry screen in the Clearing System.

(c) **Delivery Date**

(i) **By 07:30 Hours**

LME Clear will make the certain Reports available in the Clearing System, as specified in Annex 4 (*List of Available Reports*).

(ii) **By 09:00 Hours**

LME Clear will debit Members (as Buyers) their Payment Obligations in respect of their Receive Entitlements for the amount specified in the "Invoice and Account Sales" Report.

(iii) **By 11:00 Hours**

Members (as Sellers) shall instruct their Precious Metal Clearer to transfer unallocated [Bullion] to LME Clear in order to fulfil their delivery commitment.

(iv) **From approximately 11:30 Hours**

The seller will receive notification from their Precious Metal Clearer that their unallocated [Bullion] transfer instruction has been executed.

(v) **From approximately 12:30 Hours**

Following receipt of all Delivery Obligations from the Member (as Seller) LME Clear will credit the Settlement Payment amount to the Member's Settlement Accounts at its Approved Settlement Banks via the Secure Payment System, for value on the Prompt Date.

(vi) **At 16:00 Hours - End of Precious Metal Transfer Day**

PART G – INTEREST, FEES AND CHARGES

1. INTRODUCTION

This Part G of the Clearing Procedures specifies the Clearing Procedures applicable to:

(a) the Fees that LME Clear will levy on Members who use the Clearing System (**Clearing Procedure G2**);

(b) the basis on which LME Clear will pay or charge interest to Members on cash balances maintained with LME Clear (**Clearing Procedure G3**); and

(c) the process by which LME Clear will issue invoices to Members (**Clearing Procedure G4**).

2. FEES

2.1 Members shall pay such Fees to LME Clear as shall be specified by LME Clear from time to time.

2.2 Annex 3 (*Fees and Charges*) sets out the current tariff that LME Clear will use to determine Fees payable by each Member.

2.3 In addition to the Fees set out in the tariff, LME Clear may levy the following additional charges on each Member:

(a) LME Clear shall be entitled to charge Members, on a pass-through basis, for any costs, charges, Taxes, levies or fees incurred by LME Clear in the clearing of any Contract with a Member.

(b) A Member shall be responsible for all costs which it may incur in using or accessing the Clearing System, including:

(i) any fees or expenses charged to the Member by any Settlement Bank, Settlement Agent or Approved Delivery Facility, with which the Member has an account, for the use of such account;

(ii) any fees or expenses charged to the Member by any Settlement Bank, Settlement Agent or Approved Delivery Facility for the processing of any payment or transaction for or on behalf of the Member; and

(iii) any Tax or government levy imposed on any transfer of any cash, securities or other instrument made in connection with the Member's use of the Clearing System.

(c) LME Clear shall be entitled to charge Members for any unusual expenses incurred by LME Clear that are caused directly or indirectly by the Member, including the cost of producing records pursuant to a court order or other legal process in or in relation to any legal proceeding in which such records relating to such Member are so required to be produced, whether such production is required at the instance of the Member, or of any other party other than LME Clear.

(d) LME Clear may charge Members for costs or charges payable by the Member to the LME, which may be charged to the Member by LME Clear on behalf of the LME.

3. INTEREST ON BALANCES

3.1 Interest on Default Fund Contributions and Cash Balances

3.2 The rates that LME Clear shall apply to determine the interest payable to or from a Member from time to time shall be specified on the Member-specific, secure log-in, section of the Website. LME Clear reserves the right to alter the basis of calculating interest rates from time to time. Any such alteration will be notified to Members by Notice and shall be effective on the date of Notification.

3.3 LME Clear shall pay or charge interest to each Member in respect of the Default Fund Contributions maintained by the Member at LME Clear on the basis of LME Clear's "Daily Deposit Rate" (as published on the Website and as amended by LME Clear from time to time).

3.4 Subject to Rule 8.3.3A, LME Clear shall pay to, or charge interest to, each Member in respect of that Member's Cash Collateral balances held with LME Clear on the basis of LME Clear's "Daily Deposit Rate" (which may provide for different rates of interest on different amounts and in different currencies).

3.5 Accommodation Charges

3.6 LME Clear shall levy interest and accommodation charges in respect of non-cash Collateral held with LME Clear including, for the avoidance of doubt, in respect of non-cash Collateral held within LME Clear’s Triparty Collateral Custody Account, where applicable.

3.7 Such accommodation charges shall be calculated on a daily basis in accordance with Annex 3 (*Fees and Charges*).

3.8 VAT

3.9 All amounts payable to LME Clear are stated exclusive of VAT which, if chargeable, shall be paid by the relevant Member to LME Clear at the rate for the time being in force, against delivery by LME Clear of an appropriate tax invoice for VAT purposes.

3.10 Where a Member is required under the Rules, the Procedures and/or the Participant Obligations to reimburse LME Clear for any costs or expenses, it shall also at the same time pay and indemnify LME Clear against all VAT incurred by LME Clear in respect of such costs or expenses, provided such VAT is not otherwise recoverable by LME Clear or the representative member of any VAT group of which LME Clear forms part, subject to LME Clear or the representative member, as the case may be, using reasonable endeavours to recover such amount of VAT as may be practicable.

3.11 On foreign currency amounts, VAT is stated in Sterling on each invoice at the converted value of any relevant charges.

4. INVOICING

4.1 LME Clear shall invoice each Member on a monthly basis in respect of:

(a) Fees incurred in the previous calendar month;

(b) interest and accommodation charges incurred in the previous calendar month; and

(c) any other amounts payable by the Member (other than the Member's Payment Obligations in respect of Contracts).

4.2 Invoices shall be issued on a monthly basis for each Service. Separate invoices shall be issued for each Service and for each Settlement Currency in which Fees have been incurred.

4.3 LME Clear shall be entitled to deduct the Fees owed by the Member in accordance with the invoice submitted under 4.1 from the Member's House Account(s).

4.4 Subject to Clearing Procedure G 4.3 above, Members shall settle all amounts specified in such invoices, as a Cash Settlement in accordance with Rule 7.4. on the next Business Day following the date of the invoice.

4.5 If a Member fails to pay any amount payable to LME Clear under the Rules or the Procedures on its due date, interest shall accrue on the overdue amount from (and including) the due date up to (and including) the date of actual payment the rate specified in Annex 3 (*Fees and Charges*).

DEFAULT PROCEDURES

PART A – INTRODUCTION

1. INTERPRETATION AND INTRODUCTION

1.1 These Default Procedures form part of, and shall be read in conjunction with, the Rules and are legally binding on each Member. Terms defined in the Rules have the same meaning in these Default Procedures. In the event of any conflict or inconsistency between the Rules and these Default Procedures, the Rules shall prevail.

1.2 These Default Procedures are arranged into the following Parts:

(a) Part A: introduction

(b) Part B: calculation and maintenance of the Default Fund;

(c) Part C: the manner in which LME Clear will manage a Default; and

(d) Part D: the porting of Client Accounts.

1.3 These Default Procedures also include Annex 6 (*Client Business Terms*), which supports and supplements Default Procedure D.

PART B – DEFAULT FUND

1. CALCULATION OF DEFAULT FUND CONTRIBUTIONS

1.1 General

(a) Rule 9 (*Default Fund*) sets out the basis on which LME Clear will establish and maintain each Default Fund.

(b) Without prejudice to LME Clear's rights under Rule 9 (*Default Fund*), the following provisions summarise how LME Clear shall calculate Default Fund Contributions of each Member and collect them from Members.

(c) LME Clear shall maintain separate Default Funds in respect of each Service.

(i) The Default Fund Contributions in respect of the LME Base Service shall be calculated in accordance with the principles set out in Default Procedure B1.2 below;

(ii) The Default Fund Contributions in respect of the LMEprecious Service shall be calculated in accordance with the principles set out in Default Procedure B1.3 below; and

(iii) Default Procedures B2 to B4 shall apply separately and equally in respect of each Default Fund and the terms "**Default Fund**" and **"Default Fund Contributions**" shall be construed accordingly.

1.2 Principles for calculating Default Fund Contributions for LME Base Service

(a) With respect to Positions in LME Base Products, LME Clear shall calculate potential stress losses (to the extent not covered by existing Collateral provided to satisfy the End of Day Margin Requirement) in respect of each Account of each Member, using such historical and theoretical scenarios as LME Clear may choose in accordance with LME Clear's default fund policy. LME Clear will calculate the potential stress losses arising in respect of LME Base Products across all Accounts of each Member (including House Accounts and Client Accounts).

(b) The amount of the Default Fund shall then be determined as:

(i) the sum of the two largest Member losses determined pursuant to (a) above, where such losses are assessed over a historic period, as further described in the default fund overview document published by LME Clear on the Website;

plus

(ii) the amount resulting from the application by LME Clear of an additional ten per cent (10%) multiplier to provide for future increases in stress testing losses in between Default Fund calculations.

(c) Notwithstanding the calculation specified in (b) above, the Default Fund in respect of the LME Base Service shall not be permitted:

(i) to fall below a minimum value as further described in the default fund overview document published by LME Clear on the Website, except where

and to the extent that any amount of the Default Fund is applied towards any Default Loss in accordance with Rule 10 (*Default*); or

(ii) to rise above the "Default Fund Mutualisation Limit" calculated in accordance with the methodology described in the default fund overview document published by LME Clear on the Website,

This minimum level specified in (i) above and the Default Fund Mutualisation Limit will be subject to periodic review by LME Clear. Any amendment to these limits or the methodologies to determine these limits will be notified to Members by Circular.

(d) Each Member's Default Fund Contribution will be calculated as a pro-rata allocation based on that Member's average Initial Margin Requirement (including their End of Day Margin Requirement and their Intra-Day Margin Requirement calculations) over a preceding one-month period, as a percentage of the total average Initial Margin Requirement of all Members over the preceding one-month period, as further described in the default fund policy published by LME Clear on the Website.

(e) The minimum amount of a Default Fund Contribution for a Member will be US$1,000,000, or such other amount as LME Clear may determine on assessment of the stress test results in accordance with LME Clear's default fund policy.

1.3 **Principles for calculating Default Fund Contributions for LMEprecious Service**

(a) With respect to Positions in LMEprecious Products, LME Clear shall calculate potential stress losses (to the extent not covered by existing Collateral provided to satisfy the End of Day Margin Requirement) in respect of each Account of each Member, using such historical and theoretical scenarios as LME Clear may choose in accordance with LME Clear's default fund policy. LMEC will calculate the potential stress losses arising in respect of LMEprecious Products across all Accounts of each LMEprecious Clearing Member (including House Accounts and Client Accounts).

(b) The amount of the Default Fund shall then be determined as:

(i) the sum of the two largest Member losses determined pursuant to (a) above, where such losses are assessed over a historic period comprising the previous six (6) months, as further described in the default fund policy published by LME Clear on the Website;

plus

(ii) the amount resulting from the application by LME Clear of an additional ten per cent (10%) multiplier to provide for future increases in stress testing losses in between Default Fund calculations.

(c) Notwithstanding the calculation specified in (b) above, the Default Fund in respect of the LMEprecious Service shall not be permitted to fall below the product of:

(i) US$1,000,000

multiplied by

(ii) the number of LMEprecious Clearing Members,

(the "**LMEprecious DF Floor**") except where and to the extent that any amount of the Default Fund is applied towards any Default Loss in accordance with Rule 10 (*Default*).

(d) From the date of commencement of the LMEprecious Service (the "**LMEprecious Commencement Date**") and for a period of six (6) months thereafter (the "**Initial LMEprecious Period**"):

(i) the calculation specified in (a) above may be based on projected volumes as determined by LME Clear in its sole discretion; and

(ii) each LMEprecious Clearing Member's Default Fund Contribution will be calculated as follows:

(1) each LMEprecious Clearing Member that has been admitted to participate in the Service at the LMEprecious Commencement Date (each an "**Initial LMEprecious Member**") shall contribute an amount notified by LME Clear to each such Initial LMEprecious Member in advance of the LMEprecious Commencement Date (and the sum of such Default Fund Contributions on the Commencement Date shall constitute the "**Initial DF**") and shall maintain with LME Clear such amount, or any re-calculated amount of Default Fund Contribution that may be notified by LME Clear from time to time, on an ongoing basis;

(2) any new LMEprecious Clearing Member accepted to participate in the LMEprecious Service during the Initial LMEprecious Period, will contribute the greater of:

i. the Minimum DF Contribution (as specified in (f) below); and

ii. the sum of the Minimum DF Contribution and its share, based on its Initial Margin Requirement, of any incremental increase in the Default Fund over and above the Initial DF; and

(3) where LME Clear decides, based on its Initial Margin Requirement, that the additional risk represented by the positions of a Member are material in the context of the LMEprecious Service (such that the Member shall be designated as a "**Significant LMEprecious Member**") the Significant LMEprecious Member shall be required to contribute an amount notified by LME Clear to such Significant LMEprecious Member and shall maintain with LME Clear such amount, or any re-calculated amount of Default Fund Contribution that may be notified by LME Clear from time to time, on an ongoing basis.

(e) Following the Initial LMEprecious Period and subject to (g) below, each Member's Default Fund Contribution will be calculated as a pro-rata allocation based on that Member's average Initial Margin Requirement (including their End of Day Margin Requirement and their Intra-Day Margin Requirement calculations) over a preceding one-month period, as a percentage of the total average Initial Margin Requirement of all Members over the preceding one-month period, as further described in the default fund policy published by LME Clear on the Website.

(f) The minimum amount of a Default Fund Contribution for each LMEprecious Clearing Member will be US$1,000,000 (the "**Minimum DF Contribution**"), or such other amount as LME Clear may determine on assessment of the stress test results in accordance with LME Clear's default fund policy.

(g) Prior to the expiry of the Initial LMEprecious Period, LME Clear shall review the methodology for calculating the Default Fund in respect of the LMEprecious Service, and may decide, in its sole discretion to continue to operate the methodology for the Initial LMEprecious Period described in (d) above or to cease operating in accordance with such methodology subject to, if relevant, the specification of a change to the LMEprecious DF Floor. LME Clear shall notify LMEprecious Clearing Members of such decision prior to the expiry of the Initial LMEprecious Period.

2. FREQUENCY AND REPORTING

2.1 Daily Review

(a) At the end of each Business Day and at such other times during each Business Day as LME Clear may determine, LME Clear shall review the size of the Default Fund relative to each Member's potential stress positions (in excess of the existing Collateral provided by the Member to satisfy the End of Day Margin Requirement).

(b) In the event that any Member's stress positions (in excess of the existing Collateral provided by the Member, its Posting Affiliate or Posting Client to satisfy the End of Day Margin Requirement) are at any time in excess of the percentage of the Default Fund specified by LME Clear on its website from time to time (the "**Default Fund Additional Margin Threshold**"), LME Clear may require that Member immediately to provide additional Collateral in order to reduce its stress positions to a level below the Default Fund Additional Margin Threshold. The Default Fund Additional Margin Threshold shall not be changed without 30 days' prior notice to Members.

2.2 Monthly Review

(a) The Default Fund will be recalculated and reset on a monthly basis or at or following the ending of a Default Period (provided that LME Clear shall exercise its discretion as to the timing of such recalculation where LME Clear considers it necessary to protect the integrity of the Clearing System or the orderliness of the markets supported by LME Clear).

(b) LME Clear may also increase the size of the Default Fund within the period between each monthly recalculation in circumstances where the DF Intra-Monthly Resizing Threshold has been breached. The "**DF Intra-Monthly Resizing Threshold**" means the quantitative and qualitative criteria to be applied by LME Clear to determine whether and when to increase the size of the Default Fund within any period between each scheduled monthly review, as such criteria are set out in LME Clear's default fund methodology.

(c) In order to ensure that LME Clear will always have sufficient financial resources to cover a default by its two largest Members, no Member will be permitted to have at any time stress positions (in excess of the existing Collateral provided by the Member to satisfy the End of Day Margin Requirement) in excess of the Default Fund Additional Margin Threshold.

(d) In the event that any Member's stress positions (in excess of the existing Collateral provided by the Member to satisfy the End of Day Margin Requirement) are at any time in excess of the Default Fund Additional Margin Threshold, LME Clear may require that Member immediately to provide additional Collateral in order to reduce its stress positions to a level below the Default Fund Additional Margin Threshold.

(e) The monthly review and recalculation of the Default Fund will include a review of the relevant markets over the previous three (3) months in order to identify and consider possible new stress scenarios.

(f) The size of the Default Fund in respect of the LME Base Service shall not be permitted to fall, following any single review, by more than the percentage specified in the default fund overview document published by LME Clear on the Website.

3. COLLECTION OF DEFAULT FUND CONTRIBUTION

3.1 All Default Fund Contributions shall be paid in US Dollars to LME Clear via the Secure Payment System not later than 09:00 hours on the Business Day following the date of request or the date of the report identifying the need to provide such Default Fund Contribution. Payment of a Default Fund Contribution will be made separately to any payment of Collateral.

3.2 Monthly Process

A report specific to each Member (a "**Default Fund Report**") will be issued after the last Business Day of each calendar month and will be made available to the relevant Member on the Website. The Default Fund Report will show the Default Fund Contribution required from the relevant Member.

3.3 Interim Payments

(a) In the event that the daily review of the Default Fund shows that:

(i) the amount of the Default Fund is insufficient, having regard to the principles and thresholds specified in Default Procedure B1; and

(ii) an individual Member's Default Fund Contribution is insufficient, having regard to Default Procedure B2.1(b) or B2.2(d), as applicable,

then LME Clear will request the Member to provide additional Collateral in order to ensure both that LME Clear has sufficient Collateral in respect of the Member's positions, and that the Member's stress positions are reduced to a level below the Default Fund Additional Margin Threshold.

(b) For the avoidance of doubt, LME Clear may also call for additional Collateral under Default Procedure B2.1(b) or B2.2(d), where such provisions are applicable.

4. INTEREST PAYMENTS

Interest may be payable by reference to a Default Fund Contribution on the basis set out in Rule 9.1.4. LME Clear reserves the right to use for this purpose different interest rates from those applied under Rule 8.3.3.

PART C – DEFAULT MANAGEMENT

1. DEFAULT MANAGEMENT GENERALLY

1.1 Rule 10 (*Default*) sets out the LME Clear's rights and powers in relation to a Defaulting Member.

1.2 Without prejudice to LME Clear's rights under Rule 10 (*Default*), LME Clear may require Members to co-operate with LME Clear in the testing and operation of its default management process.

2. DEFAULT FIRE DRILL

2.1 All Members shall participate in "**Default Fire Drills**", during which LME Clear, Members and other interested parties will conduct simulations of various Default Event scenarios chosen by LME Clear. These will be held at least annually and will simulate the activities resulting from the occurrence of a Default Event.

2.2 Each new Member shall be required to participate in "Default Fire Drill" before it will be permitted to submit Transactions to LME Clear for clearing.

3. DEFAULT NOTICE

3.1 If LME Clear decides to issue a Default Notice, it shall:

(a) first notify the Bank of England of its intention to do so;

(b) then inform its Members of its decision in accordance with Rule 10.3; and

(c) make such other notifications as are required in accordance with Rule 10.3.3.

LME Clear may also notify its decision to issue a Default Notice to such other persons as permitted pursuant to Rule 10 (*Default*).

3.3 The Default Notice will include:

(a) the name of the Member and (where relevant) its category of Membership; and

(b) the time that the Default Notice comes into effect.

As soon as practicable after issuing the Default Notice (unless the Default Event has already been discharged), LME Clear will provide to the appropriate Regulator(s) a summary of the Member's open Positions, Margin Requirements, cash and Collateral balances in respect of that Member's Accounts (including, for the avoidance of doubt, Client Accounts).

4. ACTIVATION OF DEFAULT MANAGEMENT PROCESS

4.1 Following the occurrence of a Default Event, there will be many activities that need to be conducted. These include activities that are procedural, operational, communications and systems-based. The majority of the activities outlined below will be conducted in parallel.

4.2 Initiation of Communication tree

4.3 During a Default Period, LME Clear will communicate with internal stakeholders (in order to initiate its internal default management procedures) and relevant external stakeholders to inform them that LME Clear's default management process is being invoked.

4.4 **Prevention of Defaulting Member Clearing Activity**

4.5 LME Clear may exercise such of its powers under the Rules that arise on the occurrence of a Default Event as it thinks fit. This may include taking action to deactivate the Defaulting Member within the Clearing System, which will involve (without limitation):

(a) curtailing the Defaulting Member's ability to submit Transactions, whether on House Account or Client Account, to the Clearing System;

(b) instructing the LME (and any other Approved Transaction Platform) to deactivate the Defaulting Member's trading accounts;

(c) preventing any payments from being made via SPS from LME Clear's accounts at any Approved Settlement Banks for payment to the Defaulting Member;

(d) preventing any Asset Cover being paid or returned to the Defaulting Member, its Posting Affiliate or its Posting Client (except if and to the extent expressly permitted by Rule 10 (*Default*) or these Default Procedures); and

(e) suspending the performance of any delivery or payment obligations otherwise owing by LME Clear to the Defaulting Member.

4.6 The Defaulting Member (and Clients of the Defaulting Member) may not effect any further Transactions through the Defaulting Member or submit to the Clearing System any further Transactions for which the Defaulting Member would otherwise be responsible.

5. **DEFAULT MANAGEMENT GOVERNANCE**

5.1 The Board will delegate to a committee (the "**Default Management Committee**" or "**DMC**") responsibility for the oversight of the implementation of the default management process and all related strategic decision-making involved in the risk reduction/neutralisation strategy and the subsequent auction(s) employed by LME Clear. The DMC will consist of the following members of LME Clear's management team:

(a) the Chief Executive Officer (CEO);

(b) the Chief Risk Officer (CRO);

(c) the Head of Risk;

(d) the Chief Operating Officer (COO);

(e) Head of Legal, LME Clear;

(f) the Chief Compliance Officer; and

(g) the Chief Financial Officer (CFO).

5.2 LME Clear may also seek to involve the DMC representative(s) from the Approved Transaction Platform(s) in an advisory capacity.

5.3 LME Clear will consult with the EMIR Risk Committee and / or obtain the approval of the Board, in relation to actions that it proposes to take in relation to the management of a default, where required pursuant to any Rule or otherwise where LME Clear considers such consultation or approval to be necessary or appropriate.

6. RISK REDUCTION OF DEFAULTING MEMBER'S POSITIONS

6.1 Following the issue of a Default Notice, the Accounts of the Defaulting Member will be risk managed on the following basis:

(a) all House Accounts of the Defaulting Member will be managed in the manner stated below; and

(b) Omnibus Segregated Client Accounts and Individual Segregated Client Accounts will be managed in the manner stated below if they cannot be ported in accordance with Part D of these Default Procedures and Rule 10.7, save that LME Clear may take the steps contemplated in Default Procedure C6.2(e) below notwithstanding that the relevant Porting Period has not expired.

6.2 **Hedging and Liquidity Management**

(a) LME Clear will assess the portfolio of the Defaulting Member and any Positions and Collateral maintained in Client Accounts in respect of Clients or Indirect Clients that are not to be transferred to another non-defaulting Member and shall take such steps as LME Clear considers are necessary or appropriate to reduce the exposure of the portfolio to minimise the risk that LME Clear may need to utilise any Member's Default Funds or LME Clear's Dedicated Own Resources.

(b) LME Clear will utilise default brokers and collateral execution agents in order to facilitate:

(i) the execution of any hedge trades with non-defaulting Members or other third party counterparties; and

(ii) the liquidation of Collateral, if required.

(c) LME Clear will reduce the risk associated with the Defaulting Member's Positions as far as reasonably practicable by hedging LME Clear's exposure under the Contracts to which the Defaulting Member is a party. Such hedging will be undertaken by LME Clear with non-defaulting Members and other counterparties on the basis of separate agreements between LME Clear and each such Member or other counterparty. LME Clear will consider all Accounts together for hedging purposes. Any proceeds, losses or costs resulting from the hedging process will be allocated to the relevant Defaulting Member's Account (depending on the Positions being hedged) at the discretion of LME Clear.

(d) LME Clear may also seek to reduce the risk associated with the Defaulting Member's Positions by hedging LME Clear's exposure under the Contracts to which the Defaulting Member is a party against the Contracts of any other Member that is also, at the relevant time, a Defaulting Member.

(e) As part of the default management process, LME Clear may, wherever reasonably practicable: (i) aim to prevent Positions of a Defaulting Member on any Account going to physical delivery during the Default Period; or (ii) take such actions as LME Clear considers necessary to avoid any circumstance under which LME Clear is unable to perform any Delivery Obligation under any Contract. LME Clear may take such actions as it considers appropriate to facilitate the foregoing. LME Clear shall take such actions in accordance with Rule 10.4.2. The effect of such action would be to limit any immediate liquidity demands for delivery of LME Warrants and/or unallocated Precious Metal. In the event that LME Clear takes steps to prevent such Positions going to physical delivery, LME Clear shall notify the Members via the

publication of a Circular on the Website. For the avoidance of doubt, any Transfer made pursuant to Rule 10.7 (*Portability of Client Accounts*) that takes effect in relation to a Client Account containing Positions to which the powers in this Default Procedure C6.2(e) have been applied shall apply to the Positions as created or adjusted pursuant to the exercise of such powers.

(f) LME Clear may apply the hedging process separately in respect of LME Base Products and LMEprecious Products in a Member's Accounts.

6.3A **Allocation of Default Fund Contribution**

(a) Prior to allocating losses under Rule 10.10.1(d), LME Clear shall allocate all Open Contracts (including any hedging agreements made by LME Clear under Default Procedure C6.2) to one or more Portfolios.

(b) LME Clear shall determine the composition of each Portfolio, provided that an individual Portfolio shall not contain Open Contracts relating to both the LME Base Service and the LMEprecious Service.

(c) LME Clear shall determine the proportion of each Member's Default Fund Contribution for the relevant Service ("**DFC**") that shall be attributable to each Portfolio for the purposes of applying the loss allocation principles specified in Default Procedure Part C6.6(b) (the "**Allocated DFC Amount**").

(d) The Allocated DFC Amount shall be calculated in accordance with a methodology that takes into account the proportion of the Member's total activity in the relevant Service which is represented by Open Contracts with the same Underlying Assets as the Open Contracts being auctioned in the relevant Portfolio (using the Member's average Initial Margin Requirement over the previous month as a proxy for the level of activity).

6.3 **Auction**

(a) The following auction process shall apply in respect of Open Contracts in LME Base Products and LMEprecious Products where LME Clear exercises its power under Rule 10.4.1(l) to hold an auction. However, the auction process shall be conducted separately in respect of the LME Base Service and the LMEprecious Service (and references to "**Default Fund Contribution**", "**non-defaulting Members**" and "**Open Contracts**" shall be construed accordingly). This auction process shall apply on a per-Defaulting Member basis, so that in the event that a Default Notice is issued in respect of more than one Defaulting Member during a Default Period, the auction process shall be applied separately in respect of the Default Losses of each such Defaulting Member.

(b) After completion of the hedging and liquidity management process, LME Clear may carry out an auction process in respect of the remaining Open Contracts (which may include Collateral, if appropriate) amongst non-defaulting Members and prescribe such procedures for the conduct of the auctions as it considers reasonably appropriate in the circumstances. For the avoidance of doubt, LME Clear may exercise its power in Rule 10.4.1(l) to conduct an auction in respect of: (i) all Portfolios; or (ii) such Portfolios as it so determines.

(c) Any Portfolio that is to be the subject of an auction shall be an Auction Portfolio.

(d) Any auctions will occur at a time judged by the DMC to be optimal to minimise the risk to the Clearing System, to achieve the best possible price, and to ensure maximum competitive participation by non-defaulting Members.

6.4 **Participation in an auction**

(a) Subject to (c) below, non-defaulting Members that satisfy the entry criteria specified in (b) below will be required to:

(i) evaluate the relevant Auction Portfolio(s) in accordance with Annex 8 – Auction Process; and

(ii) submit bids following the process described in Annex 8 – Auction Process.

(b) A non-defaulting Member will be required to participate in the auction of an Auction Portfolio where:

(i) it meets LME Clear's assessment of creditworthiness against a minimum credit rating for participation in the auction specified by LME Clear in Annex 8 – Auction Process;

(ii) it is a participant in the individual Service to which the Open Contracts in the relevant Auction Portfolio relate; and

(iii) (where LME Clear considers that it has sufficient information regarding the trading history of the non-defaulting Members) it meets such criteria as LME Clear may specify in Annex 8 – Auction Process regarding the non-defaulting Member's history of Positions in the types of Open Contract included in the relevant Auction Portfolio;

(such Members being "**Mandatory Bidders**").

(c) A non-defaulting Member may request, prior to any Default Period, that LME Clear exclude it from being required to participate in any future auction on the grounds that it does not have the operational capability or expertise to participate in an auction. Any such non-defaulting Member shall provide a detailed explanation and, where appropriate, evidence to support its request and will inform LME Clear if its circumstances change in any way which is relevant to such explanation or evidence. Any agreement to such request shall be at LME Clear's discretion and will be reviewed annually. LME Clear has provided guidance on the circumstances where this paragraph may apply in Annex 8 – Auction Process.

(d) LME Clear reserves the right, at any point and in its sole discretion, to exclude a Member from the requirement to participate in an auction if it appears to LME Clear, in its reasonable opinion, that such exclusion is desirable for any reason.

(e) A non-defaulting Member which is not a Mandatory Bidder may request that LME Clear includes it in an auction. If LME Clear agrees to such request then such non-defaulting Member will become subject to the obligations in 6.4(a) above (such Members being "**Voluntary Bidders**").

(f) The contents of an Auction Portfolio shall be disclosed only to non-defaulting Members participating in the auction of that Auction Portfolio. Subject to compliance with the requirements of Rule 2.6.5, a Member may disclose the Auction Portfolio to any Client (or Clients) that intends to assist that Member to formulate its bid.

(g) Members are solely responsible for their bids and will be bound by the consequences of the bid, or failure to bid. Clients may not submit bids to LME Clear directly.

6.5 **Bidding**

(a) LME Clear shall not specify a minimum bid price for an Auction Portfolio.

(b) LME Clear shall assess the bids received from non-defaulting Members and the winning bid for each Auction Portfolio shall be selected by the DMC. The decision of LME Clear to accept or reject a particular bid will be conclusive and binding on all Members.

(c) LME Clear may accept the best price for an Auction Portfolio that it believes accurately reflects the risk of that Auction Portfolio. LME Clear shall have in place an appropriate process for determining an "acceptable auction price" which will consider the risks of the portfolios set out in Annex 8 – Auction Process. For the avoidance of doubt and without affecting the generality of 6.5(c) above, LME Clear reserves the right to reject a bid if it considers that that such bid is not consistent with the acceptable auction price determined by LME Clear.

(d) In addition, LME Clear reserves the right to reject an auction bid from a Member if it deems the overall risk presented by that Member, following the transfer of any Auction Portfolio, to be in excess of LME Clear's risk tolerance for that Member.

(e) If two or more Members submit a bid of the same value, LME Clear may, subject to its discretion to reject certain bids, accept the bid which LME Clear considers represents the most favourable risk management solution. If LME Clear determines that bids should not be differentiated on this basis then the winning bid will be the bid which was received by LME Clear first in time. Two or more Members from the same Group may submit identical bids in accordance with Annex 8 – Auction Process.

(f) Each auction shall have a single winner and the Open Contracts and hedging agreements contained in the relevant Auction Portfolio will then be recorded in the Account of such winner.

6.6 **Allocation of Excess Loss**

(a) Where LME Clear incurs an Excess Loss in relation to a Service, and LME Clear has not conducted an auction in respect of a Portfolio the non-defaulting Members of such Service shall contribute towards such Excess Loss pursuant to Rule 10.10.1(d) by applying each Members' Allocated DFC Amount in relation to a particular Portfolio on a *pro rata* basis (such that each such Member's Allocated DFC Amount shall be applied towards the remaining Excess Loss in the same proportions as such Member's Default Fund Contributions represent of the total amount of Default Fund Contributions of all Members falling within this (a)).

(b) Where LME Clear incurs an Excess Loss in relation to a Service, and LME Clear has conducted an auction in respect of a Portfolio the non-defaulting Members of such Service shall contribute towards such Excess Loss on the basis that each Members' Allocated DFC Amount in relation to a particular Auction Portfolio shall be applied pursuant to Rule 10.10.1(d) in the following order of priority:

(i) **first**, by the Allocated DFC Amounts of the non-successful Mandatory Bidders in the auction of that Auction Portfolio on the basis of the methodology set out below;

(ii) **second**, if the Allocated DFC Amounts applied under 6.6(b)(i) above are not sufficient to discharge the balance of the Default Loss, by the Allocated DFC Amounts of any non-successful Voluntary Bidders in the auction of that Auction Portfolio on the basis of the methodology set out below:

Non-Successful Bidder Methodology (for 6.6(b)(i) and (ii)):

Default Losses shall be applied against the Allocated DFC Amounts referred to in (i) and (ii) above in accordance with the following methodology (which shall be applied only in respect of the Members falling within this (i) or (ii), as applicable):

Step 1 - Determination of Ranking: Each Member's ranking in the auction shall be determined at the discretion of LME Clear in accordance with the principles set out below. For these purposes:

- the ranking will begin at zero (being the ranking of the successful bidder);
- Mandatory Bidders and Voluntary Bidders shall be ranked separately amongst themselves, in each case in an ascending numerical ranking starting with that of the non-successful bidder that was closest to the successful bid, (having a ranking of 1) and ending with the non-successful bidder that was furthest from the successful bid;
- any Mandatory Bidders or Voluntary Bidders (as applicable) who did not submit a bid will be placed joint last behind the non-successful bidder furthest from the successful bid.

Step 2 - Calculation of Member DFC at risk: LME Clear shall calculate the amount of each Member's Allocated DFC Amount that is initially available to LME Clear to be applied against any remaining Default Loss (such amount being the "**Member DFC at risk**"), on the following basis:

$$\frac{R}{N} \; x \; A = Member\ DFC\ at\ risk$$

Where:

"**R**" means the non-defaulting Member's ranking in the auction;

"**N**" means the number of non-successful bidders in the auction;

"**A**" means the Allocated DFC Amount.

Step 3 - Contribution towards Default Loss: The amount of each Member's DFC at risk applied against any remaining Default Loss (the "**Amount Applied**") will be calculated as follows:

$$\frac{TRDL}{TDFCR} \; x \; MDFCR = Amount\ Applied$$

Where:

"**TRDL**" means the total remaining Default Loss (up to a maximum of all Member DFCs at risk);

"**TDFCR**" means the total of all Member DFCs at risk;

"**MDFCR**" means the Member DFC at risk.

Step 4 – Allocation of remaining loss: Any remaining Default Loss after the application of Member DFCs above shall be covered by each Member's remaining Allocated DFC Amount ("**Remaining DFC**"), on a *pro rata* basis (such that each such Member's Remaining DFC shall be applied towards the remaining Default Loss in the same proportions as such Member's Remaining DFC represents of the total amount of Remaining DFCs of all Members falling within this (i) or (ii), as applicable).

(iii) **third**, if the Allocated DFC Amounts applied under 6.6(b)(ii) above are not sufficient to discharge the balance of the Default Loss, by the Allocated DFC Amounts of any bidders in the auction of that Auction Portfolio whose bids were rejected, on a *pro rata* basis (such that each such Member's Default Fund Contributions shall be applied towards the remaining Default Loss in the same proportions as such Member's Default Fund Contributions represent of the total amount of Default Fund Contributions of all Members falling within this (iii));

(iv) **fourth**, if the Allocated DFC Amounts applied under 6.6(b)(iii) above are not sufficient to discharge the balance of the Default Loss, by the Allocated DFC Amounts of the non-defaulting Members that did not participate in the auction of that Auction Portfolio, and were not required to participate in the auction by reason of 6.4(b), (c) or (d) above, on a *pro rata* basis (such that each such Member's Default Fund Contributions shall be applied towards the Default Loss in the same proportions as such Member's Default Fund Contributions represent of the total amount of Default Contributions of all Members falling within this (iv));

(v) **fifth**, if the Allocated DFC Amounts applied under 6.6(b)(iv) above are not sufficient to discharge the balance of the Default Loss, by the Allocated DFC Amount of the successful bidder in the auction of that Auction Portfolio;

(vi) **sixth**, if the Allocated DFC Amounts applied under 6.6(b)(v) above are not sufficient to discharge the balance of the Default Loss, by any Default Fund Contributions of the bidders in the auctions of other Auction Portfolios relating to the same Service that are remaining after the satisfaction of any Default Losses in respect of those Auction Portfolios, on the basis of the following methodology (which shall be applied only in respect of the Members falling within this (vi)):

Other Auction Bidder Methodology (for 6.6(vi)):

Step 1 – Determination of Ranking: In order to establish each Member's ranking across all other Auction Portfolios, each Member's ranking in each other Auction Portfolio shall be aggregated. The Members will then be ranked so that the first ranked Member will be the one with the lowest aggregate ranking and the last ranked Member will be the one with the

highest aggregate ranking. Mandatory Bidders and Voluntary Bidders shall be ranked together and not separately provided that any Voluntary Bidders in an auction shall automatically be given a ranking of zero in respect of such auction. In addition, any bidders falling under (iii) or (iv) above shall be given a ranking of zero.

Step 2 – Calculate Member Additional DFC at risk: The total amount of each Member's DFC allocated to such other Auction Portfolios that is initially available to LME Clear to be applied against any remaining Default Loss (such amount being the "**Member Additional DFC at risk**") will be calculated as follows:

$$\frac{RO}{NO} \; x \; AO = Member\ Additional\ DFC\ at\ risk$$

Where:

"**RO**" means the Member's ranking across all other Auction Portfolios;

"**NO**" means the number of bidders across all other Auction Portfolios;

"**AO**" means the sum of the Member's remaining Allocated DFC Amounts for all other Auction Portfolios.

Step 3 – Contribution towards Default Loss: The amount of each Member's Additional DFC at risk to be applied against any remaining Default Loss (the "**Additional Amount Applied**") will be calculated as follows:

$$\frac{TRDL}{TADFCR} \; x \; ADFCR = Additional\ Amount\ Applied$$

Where:

"**TRDL**" means the total remaining Default Loss (up to a maximum of all Member Additional DFC's at risk);

"**TADFCR**" means the total of all Member Additional DFC's at risk;

"**ADFCR**" means the Member Additional DFC at risk.

(d) If the Allocated DFC Amounts applied for each Portfolio under Default Procedure C6.6(a) and (b) above are not sufficient to discharge the balance of the Default Loss (being the remaining Excess Loss), any remaining Default Fund Contributions of the non-defaulting Members shall be applied against the Excess Loss on a *pro rata* basis (such that each such Member's Default Fund Contributions shall be applied towards the Excess Loss (aggregated across all Portfolios) in the same proportions as such Member's Default Fund Contributions represent of the total amount of Default Fund Contributions or all such non-defaulting Members). Accordingly, at this stage, the total Excess Loss shall be determined across all Portfolios, and any remaining Default Fund Contributions of the non-defaulting Members (taking into account all remaining Allocated DFC Amounts across all Portfolios and, if applicable, any DFC that has not been allocated to any Portfolio) shall be applied against such Excess Loss.

(d) For the avoidance of doubt: (i) the order or priority in paragraph 6.6(a), (b) and (c) above shall apply only to applications of Members' Default Fund Contributions pursuant to Rule 10.10.1(d) and shall not apply to Rule 10.10.1(e) or to any Stabilisation Replenishment Notice under Rule 10.10.5; and (ii) a Member that has not been admitted to participate in a Service shall have no liability to contribute towards any Default Loss arising in respect of that Service.

6.7 **Payments and Auction Costs**

(a) Payments resulting from the auction process shall be made via the Secure Payment System. LME Clear shall transfer the purchased Positions (and, where relevant, Collateral) at the appropriate price to the successful bidding Member and such successful bidder shall pay the amount due to LME Clear in advance of, or simultaneously with, the transfer. Such transfer may take place by way of close out and termination of the relevant Open Contracts and their re-establishment in the Account of the successful bidder or by way of novation of the relevant Open Contracts to the Account of the successful bidder. Where any amount is payable by LME Clear to the successful bidder, LME Clear will not be obliged to make such payment until after the Open Contracts (and, where relevant, Collateral) have been transferred to the successful bidder and any such payment shall be made by the end of the Business Day following such transfer.

(b) The costs arising out the auction process will be allocated amongst the Defaulting Member's Accounts at the discretion of LME Clear.

6.8 **Failed Auction and Close Out**

(a) Where LME Clear determines that either there is insufficient participation in an auction for Open Contracts or where the bid(s) received are not deemed by LME Clear to be reflective of the risks in the Auction Portfolio, LME Clear will deem an auction to be a "**Failed Auction**".

(b) In the event of a Failed Auction, LME Clear may undertake one or more further auctions. LME Clear may adjust the parameters of the new auction in order to increase the likelihood of achieving successful bids (for example, by adjusting the risk profile of the Auction Portfolios (by hedging), or their size (by splitting the portfolios by contract/maturity).

(c) LME Clear may conduct such further auctions with or without undertaking any of the actions specified in (b). There is no limit to the number of auctions that LME Clear may conduct.

(d) In the event that LME Clear does not consider that a further auction would be successful, it may seek to close-out the remaining Open Contracts of the Defaulting Member, on a per-metal basis (the Unclosed Metals, as defined in Rule 10.10.2(d)(ii)), through mandatory cash settlement with non-defaulting Members and realise any potential profit or loss. In the event that LME Clear applies cash settlement, LME Clear shall obtain the approval of the Board and:

(i) consult with the EMIR Risk Committee on its proposals to do so, which shall include providing an explanation of the steps LME Clear proposes to take in relation to such cash settlement and its rationale for taking such steps; and

(ii) effect such cash settlement at the then prevailing market price for the Underlying Assets or, if such market price is not available, at such price as LME Clear determines is reasonably appropriate in the circumstances in consultation with the EMIR Risk Committee.

(e) Where LME Clear takes the steps described in paragraphs (b) to (d) above in respect of an Auction Portfolio that has become a Failed Auction pursuant to paragraph 6.4(a) above and, following the completion of such steps, LME Clear incurs a Default Loss in respect of that Auction Portfolio, the non-defaulting Members shall contribute towards such Default Loss on the basis that each Members' Default Fund Contributions allocated to the Auction Portfolio pursuant to Default Procedure Part C:6.3(s), together with such Default Fund Contributions as are allocated to the Auction Portfolio pursuant to Default Procedure Part C:6.3(u), shall be applied to the Default Loss pursuant to Rule 10.10.1(d) on a pro rata basis. For the purposes of this paragraph (e), the expression "*pro rata*" means in, in respect of the Default Fund Contributions allocated by LME Clear to the Auction Portfolio, the proportion which the amount of the Default Fund Contributions provided to LME Clear by each individual non-defaulting Member bears to the aggregate amount of the Default Fund Contributions provided by all non-defaulting Member, immediately prior to the commencement of the Default Period.

6.9 **Allocation of surpluses between Portfolios**

(a) The processes described in Default Procedure Part C6.3 and C6.4 shall apply on a per-Auction Portfolio basis. In the event that, for the auctions conducted in respect of a Service, the auction for any Auction Portfolio results in a profit to LME Clear, LME Clear may apply such profit against any Default Losses attributable to any other Auction Portfolio as LME Clear, in its sole discretion, deems appropriate in the interests of risk management.

(b) For the avoidance of doubt, Allocated DFC Contributions for one Portfolio may be applied to meet Default Losses attributable to one or more other Portfolios in the accordance with Default Procedure Part C6.6.(b)(iv) and/or C6.6(c), as applicable.

6.10 **Liquidating Collateral**

LME Clear may liquidate (sell) or otherwise generate cash liquidity or other financing from non-cash Collateral provided by the Defaulting Member if and when it thinks fit. The choice of Collateral to use for this purpose will be decided by LME Clear and LME Clear may take into account market conditions at the time.

7. LOSSES IN EXCESS OF DEFAULT FUND

7.1 In the event that, following the application of the amounts provided pursuant to the replenishments required under Rule 10.10.1(e), there remains an Excess Loss, LME Clear will seek to discharge such Excess Loss through an equitable allocation of such Excess Losses to non-defaulting Members, in accordance with Rule 10.10.2.

7.2 This allocation of Excess Losses will be carried out through a pre-defined mechanism that has been previously notified to the Members. The methodologies available to LME Clear are as follows:

(a) the application of a variation margin haircut mechanism, as specified in Rule 10.10.2 (b) and (c);

(b) in the event that the process in (a) does not result in the discharge in full of the Excess Loss, LME Clear may effect a cash settlement of all Open Contracts, as specified in Rule 10.10.2(d).

8. BUSINESS VIABILITY REVIEW

In the event that LME Clear has utilised any unfunded Default Fund Contributions in the management of a default, a business viability review will be conducted immediately following the conclusion of the related default management process. The Board will, in conjunction with LME Clear's Parent Undertakings, seek to determine the most appropriate way forward for the business taking into consideration of the views of non-defaulting Members.

PART D – PORTING PROCEDURE

This Porting Procedure contains:

1. (in Section 1) the documentary requirements for the establishment of arrangements in support of the Automatic Porting Process; and

2. (in Section 2) the Porting Process that applies in respect of:

   (a) Client Accounts to which the Automatic Porting Process applies; or

   (b) any other Client Account.

SECTION 1: MAINTENANCE DOCUMENTATION IN SUPPORT OF AUTOMATIC PORTING PROCESS

1. AUTOMATIC PORTING DESIGNATION DOCUMENTS

1.1 In order for any Client Account to be eligible under the Rules for the application of the Automatic Porting Process LME Clear must, at the time of issue of a Default Notice in respect of the Member responsible for such Account, be in receipt of such documents and forms as LME Clear shall prescribe from time to time ("**Automatic Porting Designation Documents**") that:

(a) identify the Client Account(s) to which the Automatic Porting Process is to apply;

(b) record the agreement of the Clients allocated to such Client Account(s) to participate in the Automatic Porting Process;

(c) identify:

(i) the potential Member Transferee to which all Clients allocated to an Omnibus Segregated Client Account shall agree (subject to the agreement of that Member) to have their assets and positions transferred pursuant to the Porting Process; and

(ii) the potential Member Transferee to which a Client allocated to an Individual Segregated Client Account shall agree (subject to the agreement of that Member) to have its assets and positions transferred (including in the case of a Posting Client, any LME Warrant Collateral provided by such Posting Client) pursuant to the Porting Process;

(in each case, the "**Designated Member Transferee**"); and

(d) record the agreement of such Member(s) identified as Designated Member Transferee(s) to be treated as such.

1.2 LME Clear shall only treat any Automatic Porting Designation Document, or any amendment to it, as representing the accurate wishes of the signatories to it, from the time that it is formally accepted by LME Clear. LME Clear may refuse to accept any Automatic Porting Designation Document or any amendment to any Automatic Porting Designation Document provided by any Client, or by a Member on behalf of its Client(s), where:

(a) the Automatic Porting Designation Document is not complete in all respects;

(b) the Automatic Porting Designation Document has not been properly executed, to LME Clear's satisfaction, by all relevant parties;

(c) less than one Business Day has elapsed since such Automatic Porting Designation Document, or amendment to it, was received by LME Clear; or

(d) any Member specified in the Automatic Porting Designation Document has become subject to a Default Event prior to the expiry of the period set out in (c) above.

Notwithstanding the foregoing, LME Clear may agree to accept an Automatic Porting Designation Document notwithstanding that some or all of the circumstances described in (a), (b) or (d) has arisen, or otherwise prior to the expiry of the period set out in (c) above.

1.3 For the avoidance of doubt, in the event that LME Clear receives an Automatic Porting Designation Document less than one Business Day prior to the Member becoming a Defaulting Member, LME Clear may treat such Automatic Porting Designation Document

as constituting a valid request by the Client(s) specified in the Automatic Porting Designation Document to effect a Transfer to the Designated Member Transferee in accordance with Rule 10.7.

1.4 For the avoidance of doubt:

(a) the latest Automatic Porting Designation Document received by LME Clear in respect of any Client Account shall represent an instruction by the Client or Clients allocated to that Client Account to implement the Automatic Porting Process in the event that the Member responsible for that Client Account becomes a Defaulting Member;

(b) it shall be the responsibility of the Client or Clients allocated to a Client Account to ensure that LME Clear is at all times in receipt of accurate, complete and up-to-date Automatic Porting Designation Documents reflecting the wishes and instructions of all the Clients that are allocated to that Account; and

(c) LME Clear shall have no liability whatsoever to any Member or to any Client or Indirect Client in the event that LME Clear implements the Automatic Porting Process in respect of a Client Account, in reliance upon the information contained in the latest Automatic Porting Designation Documents received by LME Clear in respect of such Client Account.

SECTION 2: PORTING PROCESS

2. TRANSFER OF A CLIENT ACCOUNT PURSUANT TO RULE 10.7

2.1 Where a Client has:

(a) pursuant to its agreement to the lodgement of Automatic Porting Designation Documents, given advance consent to LME Clear under Rule 10.7 to transfer assets and positions from its Client Account with a Member Transferor to a Client Account with a Member Transferee; or

(b) pursuant to its issue of a Porting Request Notice, requested that LME Clear transfer assets and positions (including in the case of a Posting Client, any LME Warrant Collateral provided by such Posting Client) from its Client Account with a Member Transferor to a Client Account with a Member Transferee,

then LME Clear may choose as it considers most appropriate in its sole opinion, either:

(c) to exercise its powers under Rule 10.4.1(f), to close out and terminate the Open Contracts on such Client Account of the Member Transferor and re-establish them on a Client Account with the Member Transferee; or

(d) to transfer the assets and positions on the Client Account of the Member Transferor by way of novation to a Client Account of the Member Transferee in accordance with the procedure set out in D2.2 to D2.11 below.

Automatic Porting Process

2.2 LME Clear will effect such a transfer of assets and positions on a Client Account in respect of which Automatic Porting Designation Documents have been filed in accordance with Rule 5 where:

(a) the Automatic Porting Designation Documents, completed and signed by the Client(s) allocated to the Client Account and the Designated Member Transferee have been delivered to LME Clear in accordance with Section 1 of this Default Procedure D at least one (1) clear Business Day before the date on which a Default Notice is issued in respect of the Defaulting Member;

(b) a Designated Member Transferee has provided LME Clear with its written consent to its acceptance of all the assets and positions recorded to the Client Account within the Porting Election Period;

(c) the conditions set out in Rule 10.7.5 are fulfilled;

(d) the Transfer is capable of being effected without any breach of Applicable Clearing Regulations on the part of LME Clear or is otherwise not prevented or restricted by the application of any Applicable Law;

(e) the Transfer requested relates to the whole of the Client Account and not to some only of the Open Contracts or Collateral recorded on the Client Account; and

(f) the Designated Member Transferee provides to LME Clear written representations that it has established appropriate contractual arrangements with such Clients (in compliance with Rule 5.2) to enable the Member Transferee to perform clearing services for such Clients from the time of the Transfer and, where requested by LME Clear, provides to LME Clear evidence satisfactory to LME Clear that it has

established such contractual arrangements (including, where applicable, to enable the support of the Client Direct Posting Structure in respect of a Posting Client).

Notwithstanding the foregoing, LME Clear may, if it chooses, agree to vary or waive one or more of the above requirements if it thinks fit.

Standard Porting Process

2.3 LME Clear will effect such a transfer of assets and positions on a Client Account to which the Automatic Porting Process does not apply where:

(a) a Porting Request Notice completed and signed by each Client allocated to the Client Account and the Member Transferee has been delivered to LME Clear in accordance with Rule 10.7.5(b), pursuant to which the Member Transferee has provided LME Clear with its written consent to its acceptance of all the assets and positions recorded to the Client Account within the Porting Election Period (including, where applicable, any LME Warrant Collateral posted by a Posting Client pursuant to the Client Direct Posting Structure);

(b) subject to (c) below, the conditions set out in Rule 10.7.5 are fulfilled;

(c) any Non-Identified Clients have been identified in accordance with Rule 10.7.8;

(d) the Transfer is capable of being effected without any breach of Applicable Clearing Regulations on the part of LME Clear or is otherwise not prevented or restricted by the application of any Applicable Law;

(e) the Transfer requested relates to the whole of the Client Account and not to some only of the Open Contracts or Collateral recorded on the Client Account; and

(f) the Member Transferee provides to LME Clear written representations that it has established appropriate contractual arrangements with such Clients (in compliance with Rule 5.2) to enable the Member Transferee to perform clearing services for such Clients from the time of the Transfer and, where requested by LME Clear, provides to LME Clear evidence satisfactory to LME Clear that it has established such contractual arrangements. With regards to any Individual Segregated Client Account in relation to which the Client Direct Posting Structure has been implemented, the Member Transferee must establish contractual arrangements to set up an Individual Segregated Client Account for the relevant Posting Client (noting that, until such Individual Segregated Client Account has been established, such Posting Client's assets and Positions, including LME Warrant Collateral provided by it, may be temporarily transferred to an Omnibus Segregated Client Account held by the Member Transferee. The Member Transferee must have transferred the Posting Client's assets and Positions, including the LME Warrant Collateral provided to it, to the Individual Segregated Client Account within ten (10) business days of the relevant Default Event. Nothing in this part shall prevent LME Clear from requiring the Member Transferee to replace the LME Warrant Collateral with other Eligible Collateral at any time).

Notwithstanding the foregoing, LME Clear may, if it chooses, agree to vary or waive one or more of the above requirements if it thinks fit.

Partial Porting

2.4 LME Clear will effect a transfer of the Positions relating to some but not all of the Open Contracts recorded to an Omnibus Segregated Client Account to which the Automatic Porting Process does not apply where:

(a) Porting Request Notices completed and signed by one or more Clients allocated to the Relevant Account specifying the Positions to be Transferred and one or more Member Transferees have been delivered to LME Clear in accordance with Rule 10.7.6(d), pursuant to which such Member Transferees have provided LME Clear with their written consent to their acceptance of the Positions recorded to the Relevant Account prior to the end of the Porting Election Period or the Porting Transfer Window (if earlier);

(b) subject to (c) below, the conditions set out in Rule 10.7.6 are fulfilled;

(c) any Requesting Clients that are Non-Identified Clients have been identified in accordance with Rule 10.7.8;

(d) the Partial Transfer is capable of being effected without any breach of Applicable Clearing Regulations on the part of LME Clear or is otherwise not prevented or restricted by the application of any Applicable Law;

(e) the Partial Transfer relates to all the Open Contracts of the Requesting Client recorded to the Relevant Account; and

(f) the Member Transferee provides to LME Clear written representations that it has established appropriate contractual arrangements with such Clients (in compliance with Rule 5.2) to enable the Member Transferee to perform clearing services for such Clients from the time of the Partial Transfer and, where requested by LME Clear, provides to LME Clear evidence satisfactory to LME Clear that it has established such contractual arrangements.

Notwithstanding the foregoing, LME Clear may, if it chooses, agree to vary or waive one or more of the above requirements if it thinks fit.

General

2.5 LME Clear may, when taking action under this Default Procedure D, rely (without further investigation) on the information provided by the Member Transferor (or any Relevant Office-Holder) or its relevant Clients to LME Clear pursuant to the Rules.

2.6 Each Member irrevocably and unconditionally agrees that, if it is or becomes a Member Transferor, a Transfer made under these provisions shall take effect (pursuant to this Procedure) and be binding on it without the necessity for any further consent from the Member Transferor.

2.7 LME Clear may disclose to the Member Transferee such information relating to the Member Transferor and its Client Accounts as may be relevant for the purpose of the Transfer.

2.8 The Transfer referred to in Default Procedure D 2.1 above will take effect at such time as LME Clear shall specify following LME Clear's receipt of consent from a Member Transferee to accept all the assets and positions recorded on the Client Account (the "**Transfer Time**").

2.9 The Transfer Time must be within:

(a) the Porting Transfer Period; or

(b) any Extended Porting Transfer Period specified by LME Clear in accordance with Default Procedure D 2.10 below.

2.10 LME Clear may specify, via a circular posted on the Website, that an Extended Porting Transfer Period shall apply, within which LME Clear may effect a Transfer.

2.11 At the Transfer Time:

(a) the Member Transferor and LME Clear (each acting as principal) shall be released from further obligations towards one another under the Contracts recorded in the Client Account and their respective rights against one another under the relevant transactions recorded in such Client Account shall be cancelled (being the "**Discharged Rights and Obligations**");

(b) the Member Transferee and LME Clear (each acting as principal) shall assume obligations towards one another and/or acquire rights against one another which differ from the Discharged Rights and Obligations only insofar as the Member Transferee and LME Clear have assumed and/or acquired the same in place of the Member Transferor and LME Clear; and

(c) other than in respect of a Transfer of Positions only, all rights, title and interest of the Member Transferor in or to Collateral provided by it to LME Clear in respect of such Client Account shall be transferred outright to the Member Transferee and, upon such Transfer, the Member Transferor shall cease to have any interest (legal, equitable or otherwise) in such Collateral (which shall be released from the Security Interest granted by the Member Transferor under the Security Documents executed by it in relation to such Client Account in favour of LME Clear) and, subject to Default Procedure D 2.12 below, such Collateral shall form part of the property and rights subject to the Security Interest granted by the Member Transferee in favour of LME Clear under its Security Documents to collateralise the obligations and liabilities of the Member Transferee to LME Clear.

2.12 Upon release of the charge and any pledges held by LME Clear over any LME Warrant Collateral provided to it by the Member Transferor in respect of a Client Account pursuant to Default Procedure D 2.11(c) above, LME Clear shall instruct an Ex-cleared Transfer Instruction in respect of any Eligible LME Warrants comprising such LME Warrant Collateral for the purposes of effecting a Transfer to a House Account (as such term is defined in the LMEsword Regulations) of the Member Transferee. Immediately following such Transfer, the Member Transferee shall instruct an Ex-cleared Transfer Instruction in respect of the same Eligible LME Warrants comprising LME Warrant Collateral for the purposes of effecting a Transfer to the LME Clear Pledged Account in order to create security over the related LME Warrant Collateral in accordance with the terms of the Security Documents of the Member Transferee creating security over LME Warrant Collateral. The Member Transferee shall take any and all such actions as may be necessary to facilitate the Transfers contemplated by this Default Procedure D 2.12 including, without limitation, executing Ex-Cleared Transfer Accept Instructions (as such term is defined in the LMEsword Regulations) in respect of the relevant Eligible LME Warrants comprising LME Warrant Collateral. Any Eligible LME Warrants subject to the procedures described in this Default Procedure D 2.12 shall not constitute Available Non-cash Collateral unless and until LME Clear is satisfied that such Eligible LME Warrant has been transferred into the LME Clear Pledged Account in accordance with the terms hereof.

2.13 In respect of a Transfer relating to a Posting Client which has provided LME Warrant Collateral, upon the Transfer, such LME Warrant Collateral shall collateralise the performance by the Member Transferee of certain of its present and future obligations to

LME Clear with respect to the Designated Client Account such Member Transferee holds on behalf of such Posting Client. For the avoidance of doubt, no Ex-cleared Transfer Instruction is required in respect of any Eligible LME Warrants comprising LME Warrant Collateral provided to LME Clear by a Posting Client and such the LME Warrant Collateral shall remain in the LME Clear Pledged Account and subject to the security over such LME Warrant Collateral in accordance with the terms of the Posting Client Security Documents of the Posting Client creating such security.

2.14 This Procedure is without prejudice to the right of LME Clear to exercise at any time (whether during the Porting Period or otherwise) all or any of its other powers in relation to a Member Transferor under the Default Rules.

2.15 The Member Transferee shall, on the date upon which the Transfer takes effect, pay to LME Clear (for its own account) any applicable Fee in the amount prescribed by LME Clear from time to time. For the avoidance of doubt, no Fee shall be payable to LME Clear in respect of any Transfer unless and to the extent specified in Annex 3 (*Fees and Charges*).

SETTLEMENT FINALITY PROCEDURE

1. APPLICATION

1.1 This Settlement Finality Procedure forms part of, and shall be read in conjunction with, the Rules and is legally binding on Members. Terms defined in the Rules have the same meaning in this Settlement Finality Procedure. In the event of any conflict or inconsistency between the Rules and this Settlement Finality Procedure, the Rules shall prevail.

1.2 LME Clear is a designated system for the purpose of the Settlement Finality Regulations. The Settlement Finality Regulations reduce the risk that contracts and transfers made by a clearing house and its participants may be challenged in the event of the participant's insolvency. The Settlement Finality Regulations therefore minimise the disruption that can be caused to the Clearing System as a consequence of such an insolvency. In order to benefit from the protection of the Settlement Finality Regulations, LME Clear must meet the requirements of the Settlement Finality Regulations and must be designated by the Bank of England. This Settlement Finality Procedure explains how LME Clear meets such requirements.

1.3 As a recognised clearing house, regulated by the Bank of England under FSMA, LME Clear is also subject to Part VII of the Companies Act 1989 ("**Part VII**"), which provides insolvency protection to Contracts formed under LME Clear's Rules, LME Clear's and Default Rules and certain other matters relating to the Clearing System operated by LME Clear.

1.4 In the table in section 3 below:

(a) Column 1 sets out the types of instruction given by or on behalf of LME Clear or a Member which are Transfer Orders for the purpose of the Rules;

(b) Column 2 specifies whether the Transfer Order is a "**Payment Transfer Order**" or a "**Securities Transfer Order**" for the purpose of the Settlement Finality Regulations;

(c) Column 3 specifies, for each category of instruction, the time at which it takes effect and is entered into the Designated System;

(d) Column 4 specifies, for each category of instruction, the time after which it may not be revoked by a Participant or any other party;

(e) Column 5 specifies, for each category of instruction, guidance notes to assist in the interpretation of the table.

1.5 In this Settlement Finality Procedure, where a Triparty Collateral Custodian initiates a Collateral substitution in accordance with Clearing Procedure D4 in respect of a Triparty Collateral Custody Account, an instruction will be deemed to have been issued by:

(a) LME Clear where the transfer of Collateral is initiated from LME Clear's Triparty Collateral Custody Account; and

(b) the Member where the transfer of Collateral is initiated from the Member's Triparty Collateral Custody Account,

in each case under the Settlement Finality Regulations, the Rules and this Settlement Finality Procedure (a "**Deemed Instruction**"). The Deemed Instruction will be deemed to

have been issued at the point in time when the Triparty Collateral Custodian triggers the Collateral substitution process in accordance with its substitution procedures.

2. **DEFINITIONS AND INTERPRETATION**

In this Settlement Finality Procedure, the following words and expressions shall bear the meanings set opposite them:

"Approved Settlement Bank"	has the meaning set out in Rule 1 (*Definitions and Interpretation*);
"Cash Investment Agent"	means a bank, investment firm or other financial institution, which LME Clear has appointed to act as its agent to invest Collateral and / or Default Fund Contributions;
"Concentration Bank"	has the meaning set out in Rule 1 (*Definitions and Interpretation*);
"Concentration Bank Agreement"	means an agreement between LME Clear and a Concentration Bank pursuant to which the Concentration Bank agrees to provide concentration bank account services to LME Clear;
"Custodian"	has the meaning set out in Rule 1 (*Definitions and Interpretation*);
"Custody Agreement"	means an agreement between a Custodian and LME Clear pursuant to which the Custodian holds cash, securities and other assets on behalf of LME Clear;
"Deemed Instruction"	shall have the meaning ascribed to it in Settlement Finality Procedure 1.5;
"Default Rules"	means Rule 10 (*Default*) and the Default Procedures;
"Designated System"	means the standardised formal arrangements, common rules and procedures, as set out in the Rules (including the Settlement Finality Procedures and the other Procedures) and service descriptions published by LME Clear and other functionality (in each case as amended from time to time) which: (a) enable LME Clear in operating its Secure Payment System (or otherwise) to give instructions to transfer to Members amounts of money on the accounts of certain Approved Settlement Banks; (b) enable LME Clear in operating the Secure Payment System (or otherwise) to give instructions on behalf of Members and to transfer to

LME Clear amounts of money on the accounts of certain Approved Settlement Banks;

(c) enable LME Clear to give instructions to its Concentration Banks to transfer amounts of money on the accounts of such Concentration Banks to Approved Settlement Banks;

(d) enable LME Clear to give instructions to Custodians or Securities Systems Operators or Securities Account Operators to transfer, or arrange the transfer, of title to, or interest in, securities and cash;

(e) enable LME Clear to become central counterparty to Members in respect of Transactions;

(f) enable LME Clear to centrally clear Contracts that correspond to Underlying Client Trades;

(g) enable LME Clear and Members to fulfil obligations they incur in respect of Contracts;

(h) enable transfers, assignments and novations of Contracts between Members (and the corresponding transfer of Collateral and Positions between the Accounts of such Members) in accordance with the Rules, including following a Default Event and, without limitation, pursuant to the exercise by one or more Clients of Porting Rights; and

(i) facilitate supplementary and incidental matters relating to the performance or discharge of obligations in respect of Contracts and the collection and payment of amounts due under the Rules;

"**Payment Transfer Order**" has the meaning set out in the Settlement Finality Regulations;

"**Participant**" means any of the following:

(a) LME Clear;

(b) each Member;

(c) each Approved Settlement Bank; or

(d) each Concentration Bank,

that are "participants" (as defined in the Settlement Finality Regulations) in the Designated System (and this Settlement Finality Procedure shall apply equally to any insolvency practitioner appointed for, or having powers in respect of, a Participant);

"Porting Rights" means a right to have a Transfer effected pursuant to Rule 10.7 (*Portability of Client Accounts*);

"Securities Account Operator" means a bank or other financial institution which provides account operator services to LME Clear in respect of accounts maintained by LME Clear with a Securities System Operator;

"Securities Account Operator Agreement" means an agreement between LME Clear and a Securities Account Operator pursuant to which the Securities Account Operator agrees to perform account operator services for LME Clear in respect of one or more accounts maintained by LME Clear with a Securities System Operator;

"Settlement Bank Agreement" means an agreement between LME Clear and an Approved Settlement Bank pursuant to which the Approved Settlement Bank is authorised to participate in the Secure Payment System;

"Settlement Finality Directive" means Directive 98/26/EC of the European Parliament and of the Council of 19 May 1998 on settlement finality in payment and securities settlement systems (as subsequently amended and as may be further amended from time to time);

"Securities System Operator" means:

(a) the operator of a relevant system within the meaning of the Uncertificated Securities Regulations 2001;

(b) the operator of a securities depository or securities settlement system in the UK or any other jurisdiction;

and includes, without limitation, Euroclear UK & Ireland and Euroclear Bank;

"Securities System Terms" means the terms of business or agreement pursuant to which LME Clear is permitted to use the securities depository or securities settlement systems of a Securities Systems Operator;

"**Securities Transfer Order**"	has the meaning set out in the Settlement Finality Regulations; and
"**Transfer Order**"	means a Securities Transfer Order or a Payment Transfer Order.

3. SPECIFICATION OF TRANSFER ORDERS FOR THE PURPOSE OF THE SETTLEMENT FINALITY REGULATIONS

	1. TRANSFER ORDER	2. TYPE OF TRANSFER ORDER	3. TIME "ENTERED INTO THE DESIGNATED SYSTEM"	4. TIME FROM WHICH IRREVOCABLE	5. NOTES
3.1	Acceptance of Transaction	Payment Transfer Order	Upon Acceptance	The Acceptance Time	1. A Transaction that is Accepted under Rule 6 gives rise: (a) to one or more Payment Obligations pursuant to Rule 7 and the Clearing Procedure, (b) to Contracts formed between the Member and LME Clear in accordance with Rule 6. 2. Acceptance is deemed to occur upon satisfaction of the Acceptance Criteria, at the time specified in Clearing Procedure B 3.1, and the time of such Acceptance shall be the Acceptance Time, in accordance with Rule 6.4.3. 3. A Transfer Order in respect of a Transaction shall become irrevocable from the Acceptance Time. 4. A Transfer Order in respect of a Transaction shall include: (a) the Payment Obligations under any Contract that arises pursuant to the Acceptance of such Transaction; and (b) (where any netting, aggregation or compression process is applied to any Contract under the operation of the Rules), the Payment Obligations under the Contract that is in force following the application of such process,

Settlement Finality Procedure

	1. Transfer Order	2. Type of Transfer Order	3. Time "entered into the Designated System"	4. Time from which irrevocable	5. Notes
					including for the avoidance of doubt any Post-Compression Contract.
3.2	Instruction by LME Clear to an Approved Settlement Bank to pay to LME Clear a Cash Settlement on behalf of a Member	Payment Transfer Order	The time of submission by LME Clear of the instruction into the SWIFT Messaging Gateway, or any other communication mechanism permitted by the Rules, used by LME Clear to transmit the instruction to the Participant.	The time at which the Approved Settlement Bank sends to LME Clear a SWIFT credit confirmation message (by SWIFT message type MT910) or otherwise confirms to LME Clear that such payment will be, or has been, made.	1. The instruction shall be to transfer to LME Clear an amount of money to be debited from an account of the Member with the Approved Settlement Bank and credited to an account of LME Clear with the Approved Settlement Bank. 2. The transfer of money shall be to discharge an obligation of the Member to make a Cash Settlement to LME Clear under the Rules. 3. The instruction may be given by SWIFT message or by any other means specified in, or permitted by, the Settlement Bank Agreement between LME Clear and the Approved Settlement Bank.
3.3	Instruction by LME Clear to an Approved Settlement Bank to pay to a Member a Cash Settlement on behalf of LME Clear	Payment Transfer Order	The time of submission by LME Clear of the instruction into the SWIFT Messaging Gateway, or any other communication mechanism permitted by the Rules, used by LME Clear to transmit the instruction to the Participant.	The time at which the Approved Settlement Bank sends to LME Clear a SWIFT debit confirmation message (by SWIFT message type MT900) or otherwise confirms to LME Clear that such payment will be, or has been, made.	1. The instruction shall be to transfer to a Member an amount of money to be debited from an account of LME Clear with the Approved Settlement Bank and credited to an account of the Member with the Approved Settlement Bank. 2. The transfer of money shall be to discharge an obligation of LME Clear to make a Cash Settlement to the Member under the Rules. 3. The instruction may be given by SWIFT message or by any other means specified in, or permitted by, the Settlement Bank Agreement between LME Clear and the Approved Settlement Bank.

Settlement Finality Procedure

	1. TRANSFER ORDER	2. TYPE OF TRANSFER ORDER	3. TIME "ENTERED INTO THE DESIGNATED SYSTEM"	4. TIME FROM WHICH IRREVOCABLE	5. NOTES
3.4	The transfer of Cash Collateral by LME Clear from a Defaulting Member to another Member pursuant to LME Clear's exercise of its powers under the Default Rules.	Payment Transfer Order	The time of the transfer in accordance with the Rules.	The time at which LME Clear's books and records are updated as a result of a successful transfer of the Collateral.	1. The transfer may occur as a consequence of Rule 10.7 (*Portability of Client Accounts*) or otherwise pursuant to Rule 10 (*Default*) or the Default Procedures.
3.5	Instruction by LME Clear to an Approved Settlement Bank to transfer to a Defaulting Member or its insolvency practitioner an amount of money to be paid to the Defaulting Member or its insolvency practitioner pursuant to the Default Rules.	Payment Transfer Order	The time of submission by LME Clear of the instruction into the SWIFT Messaging Gateway, or any other communication mechanism permitted by the Rules, used by LME Clear to transmit the instruction to the Participant.	The time at which the Approved Settlement Bank sends to LME Clear a SWIFT debit confirmation message (by SWIFT message type MT900) or otherwise confirms to LME Clear that such payment will be, or has been, made.	1. The instruction shall be to transfer to a Member an amount of money to be debited from an account of LME Clear with the Approved Settlement Bank and credited to: (a) an account of the Member with the Approved Settlement Bank; or (b) such alternative bank account as is specified by the insolvency practitioner appointed in respect of the Defaulting Member for the receipt of such sums. 2. The transfer of money shall be to discharge an obligation of LME Clear under the Rules to pay to a Defaulting Member any cash sum following the calculation of the final net settlement in respect of that Defaulting Member. 3. The instruction may be given by SWIFT message or by any other means specified in, or permitted by, the Settlement Bank Agreement between LME Clear and the Approved Settlement Bank.
3.6	Instruction by LME Clear to a Concentration Bank to transfer an amount of money	Payment Transfer Order	The time of submission by LME Clear of the	The time at which the Concentration Bank sends to LME Clear a	1. The instruction shall be to transfer to LME Clear or the Cash Investment Agent an amount of money to be debited from an account of LME Clear with the

Settlement Finality Procedure

	1. Transfer Order	2. Type of Transfer Order	3. Time "entered into the Designated System"	4. Time from which irrevocable	5. Notes
	to an account of LME Clear with an Approved Settlement Bank.		instruction into the SWIFT Messaging Gateway, or any other communication mechanism permitted by the Concentration Bank Agreement, used by LME Clear to transmit the instruction to the Participant.	SWIFT debit confirmation message or otherwise confirms to LME Clear that such payment will be, or has been, made.	Concentration Bank and credited to an account of LME Clear with an Approved Settlement Bank. 2. The instruction may be given by SWIFT message or by any other means specified in, or permitted by, the Concentration Bank Agreement between LME Clear and the Concentration Bank.
3.7	Instruction by LME Clear to an Approved Settlement Bank to transfer an amount of money to an account of LME Clear at a Concentration Bank nominated by LME Clear.	Payment Transfer Order	The time of submission by LME Clear of the instruction into the SWIFT Messaging Gateway, or any other communication mechanism permitted by the Settlement Bank Agreement, used by LME Clear to transmit the instruction to the Participant.	The time at which the Approved Settlement Bank sends to LME Clear a SWIFT debit confirmation message (by SWIFT message type MT900) or otherwise confirms to LME Clear that such payment will be, or has been, made.	1. The instruction shall be to transfer to LME Clear an amount of money to be debited from an account of LME Clear with the Approved Settlement Bank and credited to an account of LME Clear with a Concentration Bank. 2. The instruction may be given by SWIFT message or by any other means specified in, or permitted by, the Settlement Bank Agreement between LME Clear and the Approved Settlement Bank.
3.8	Instruction by LME Clear to a Custodian to transfer to LME Clear or a Member an amount of money to be debited from an account of LME Clear with the Custodian.	Payment Transfer Order	The time of submission by LME Clear of the instruction into the SWIFT Messaging Gateway, or any other communication mechanism permitted	The time at which the Custodian sends to LME Clear a SWIFT debit confirmation message or otherwise confirms to LME Clear that such	1. The instruction shall be to transfer to LME Clear or a Member an amount of money to be debited from an account of LME Clear with the Custodian and credited to: (a) an account of LME Clear with a Concentration Bank or an Approved Settlement Bank; or

	1. TRANSFER ORDER	2. TYPE OF TRANSFER ORDER	3. TIME "ENTERED INTO THE DESIGNATED SYSTEM"	4. TIME FROM WHICH IRREVOCABLE	5. NOTES
			by the Custody Agreement, used by LME Clear to transmit the instruction to the Participant.	payment will be, or has been, made.	(b) an account of a Member with an Approved Settlement Bank. 2. The instruction may be given by SWIFT message or by any other means specified in, or permitted by, the Custody Agreement between LME Clear and the Custodian.
3.8AA	An instruction by a Member to a Triparty Collateral Custodian to transfer an amount of money to be debited from LME Clear's Triparty Collateral Custody Account and credited to the Member's Triparty Collateral Custody Account.	Payment Transfer Order	The time of submission by the Member of the instruction into the SWIFT Messaging Gateway, or any other communication mechanism permitted by the Triparty Custody Documentation, used by the Member to transmit the instruction to the Triparty Collateral Custodian.	The point in time at which the Cash Collateral is recorded as having been received into the Member's Triparty Collateral Custody Account.	1. The transfer type detailed in this row relates to circumstances in which: (a) a Member instructs a Triparty Collateral Custodian to transfer an amount of money from LME Clear's Triparty Collateral Custody Account to the Member's Triparty Collateral Custody Account; and (b) the conditions set out in Clearing Procedure D4 are satisfied; and (c) where such transfer occurs other than as part of a Collateral substitution process. (Note that Collateral substitution processes within a Triparty Custody Arrangement are specified at row 3.8A and relatedly row 3.12A, and at row 3.8B and relatedly row 3.12B.) 2. The instruction shall be to transfer to the Member an amount of money to be debited from LME Clear's Triparty Collateral Custody Account and credited to the Member's Triparty Collateral Custody Account. 3. The instruction may be given by SWIFT message or by any other means specified in, or permitted by, the Triparty Custody Documentation.

Settlement Finality Procedure

	1. TRANSFER ORDER	2. TYPE OF TRANSFER ORDER	3. TIME "ENTERED INTO THE DESIGNATED SYSTEM"	4. TIME FROM WHICH IRREVOCABLE	5. NOTES
3.8A	An instruction by a Member, or a Deemed Instruction arising under an automated process, by which a Triparty Collateral Custodian shall substitute identifiable Securities Collateral with Cash Collateral (in whole or in part) by returning specified Securities Collateral (identified by ISIN(s)) to the Member's Triparty Collateral Custody Account and replacing it with Cash Collateral of an equivalent value, from the Member's Triparty Collateral Custody Account.	Payment Transfer Order	Member instructions: The time of submission by the Member of the instruction into the SWIFT Messaging Gateway, or any other communication mechanism permitted by the Triparty Custody Documentation, used by the Member to transmit the instruction to the Triparty Collateral Custodian to substitute the Collateral. Deemed Instructions: The point in time at which the Triparty Collateral Custodian's system records the substitution of Eligible Securities with Cash Collateral as a result of an automated substitution of Eligible Collateral.	The point in time at which the substituted Cash Collateral is recorded as having been received into the relevant account held in LME Clear's name at the Triparty Collateral Custodian.	1. The transfer type detailed in this row relates to circumstances in which a Member instructs a Triparty Collateral Custodian, either directly or on a deemed basis, to transfer Securities Collateral from LME Clear's Triparty Collateral Custody Account to the Member Triparty Collateral Custody Account, resulting in a substitution of that Securities Collateral with Cash Collateral. Members are unable to directly instruct (as opposed to instructing on a deemed basis) a Triparty Collateral Custodian to transfer Cash Collateral from the Member's Triparty Collateral Custody Account to LME Clear's Triparty Collateral Custody Account in any other circumstances. This type of transfer involves both a Securities Transfer Order (in relation to the Securities Collateral that is to be substituted with Cash Collateral) and a Payment Transfer Order (in relation to the Cash Collateral that is to substitute the Securities Collateral). This 3.8A specifies the Payment Transfer Order requirements, whereas the related Securities Transfer Order requirements are specified at 3.12A below. 2. The transfer of Cash Collateral shall be from a named account of the Member that is held with the Triparty Collateral Custodian (i.e. the Member's Triparty Collateral Custody Account), to a named account of LME Clear held with the same Triparty Collateral Custodian (i.e. LME Clear's Triparty Collateral Custody Account), and shall be recorded by book transfer by the Triparty Collateral Custodian. 3. Such transfers of Cash Collateral will arise pursuant to the provision by a Member of Cash Collateral in accordance with the Rules, by substitution of Eligible Securities.

	1. Transfer Order	2. Type of Transfer Order	3. Time "entered into the Designated System"	4. Time from which irrevocable	5. Notes
					4. In relation to Member instructions (as opposed to deemed instructions), the instruction to substitute any component of Collateral may be given by the Member via any communication mechanism permitted by the Triparty Custody Documentation. In relation to Deemed Instructions, the Deemed Instruction may arise through the Member's subscription, or agreement or election, to use automated collateral substitution arrangements provided by the Triparty Collateral Custodian under which Cash Collateral is transferred automatically to LME Clear's Triparty Collateral Custody Account where there is insufficient Security Collateral to meet the Triparty Transaction Amount. 5. For the avoidance of doubt, LME Clear shall not, nor shall it be required to, submit any instructions to the Triparty Collateral Custodian in order to facilitate the substitution of any Collateral (whether in whole or in part). The Member shall at all times comply with the applicable requirements of the relevant Triparty Collateral Custodian in undertaking a Collateral substitution.
3.8B	An instruction by a Member, or a Deemed Instruction, by which a Triparty Collateral Custodian shall substitute Cash Collateral held in LME Clear's Triparty Collateral Custody Account with identifiable Securities Collateral, by returning the Cash Collateral to the Member's Triparty Collateral Custody Account and replacing such Cash	Payment Transfer Order	Member instructions: The time of submission by the Member of the instruction into the SWIFT Messaging Gateway, or any other communication mechanism permitted by the Triparty Custody Documentation, used by the Member to	The point in time at which the replacement Securities Collateral is recorded as having been received into the relevant account held in LME Clear's name at the Triparty Collateral Custodian.	1. The transfer type detailed in this row involves both a Payment Transfer Order (in relation to the Cash Collateral that is to be substituted with replacement Securities Collateral) and a Securities Transfer Order (in relation to the replacement Securities Collateral that is to substitute the Cash Collateral). This 3.8B specifies the Payment Transfer Order requirements, whereas the related Securities Transfer Order requirements are specified at 3.12B below. 2. The transfer of Cash Collateral shall be made from the relevant named account of LME Clear held with the Triparty Collateral Custodian, to a named account of the

	1. Transfer Order	2. Type of Transfer Order	3. Time "entered into the Designated System"	4. Time from which irrevocable	5. Notes
	Collateral in LME Clear's Triparty Collateral Custody Account with specified Securities Collateral (identified by ISIN(s)) of equivalent value.		transmit the instruction to the Triparty Collateral Custodian to substitute the specified Collateral. Deemed Instructions: The point in time at which the Triparty Collateral Custodian's system records the substitution of Cash Collateral with Eligible Securities of an equivalent value, as a result of an automated substitution of Cash Collateral.		Member that is held with the same Triparty Collateral Custodian, and shall be recorded by book transfer by the Triparty Collateral Custodian. 3. Such transfers of Cash Collateral will arise pursuant to the provision by a Member of replacement Securities Collateral in accordance with the Rules. 4. In relation to Member instructions (as opposed to deemed Member instructions), the instruction to substitute any component of Collateral may be given by the Member via any communication mechanism permitted by the Triparty Custody Documentation. In relation to Deemed Instructions, the Deemed Instruction may arise through the Member's subscription, or agreement or election, to use automated collateral substitution arrangements provided by the Triparty Collateral Custodian under which Cash Collateral is transferred automatically to LME Clear's Triparty Collateral Custody Account where there is insufficient Security Collateral to meet the Triparty Transaction Amount. 5. For the avoidance of doubt, LME Clear shall not, nor shall it be required to, submit any instructions to the Triparty Collateral Custodian in order to facilitate the substitution of any Collateral (whether in whole or in part). The Member shall at all times comply with the applicable requirements of the relevant Triparty Collateral Custodian in undertaking a Collateral substitution.
3.9	Instruction by LME Clear to a Securities System Operator, directly or via a Securities Account Operator acting on	Payment Transfer Order	The time of submission by LME Clear of the instruction into the	The time at which the Securities System Operator or Securities Account Operator (as	1. The instruction shall be to transfer to LME Clear an amount of money to be debited from a cash account of LME Clear with the Securities System Operator and

	1. Transfer Order	2. Type of Transfer Order	3. Time "entered into the Designated System"	4. Time from which irrevocable	5. Notes
	LME Clear's behalf, to transfer an amount of money to an account of LME Clear at an Approved Settlement Bank or a Concentration Bank.		SWIFT Messaging Gateway, or any other communication mechanism permitted by the Securities Account Operator Agreement or Securities System Terms (as applicable), used by LME Clear to transmit the instruction to the Participant.	applicable) sends to LME Clear a SWIFT debit confirmation message or otherwise confirms to LME Clear that such payment will be, or has been, made.	credited to an account of LME Clear with a Concentration Bank or an Approved Settlement Bank. 2. The instruction may be given by SWIFT message or by any other means specified in, or permitted by (as applicable): (a) the Securities Account Operator Agreement between LME Clear and the Securities Account Operator; or (b) Securities System Terms between LME Clear and the Securities Account Operator.
3.10	Instruction by a Member for Automatic Compression, which takes effect as a standing instruction pursuant to a Compression Request	Payment Transfer Order	The cut-off time for the cancellation of the proposed Compression Run, as set out in the DSS.	The Compression Time.	1. The instruction shall be to modify the existing Payment Transfer Order that is described in paragraph 3.1 above, in order to give effect to Compression. 2. Nothing in this Settlement Finality Procedure shall oblige LME Clear to implement a Compression in accordance with any instruction from a Member upon or following the occurrence of a Default Event in respect of that Member.
3.11	Instruction by a Member for Manual or File Based Compression	Payment Transfer Order	The time at which the Member submits its request for Compression via the LMEmercury GUI.	The Compression Time.	1. The instruction shall be to modify the existing Payment Transfer Order that is described in paragraph 3.1 above, in order to give effect to Compression. 2. Nothing in this Settlement Finality Procedure shall oblige LME Clear to implement a Compression in accordance with any instruction from a Member upon or following the occurrence of a Default Event in respect of that Member.

Settlement Finality Procedure

	1. Transfer Order	2. Type of Transfer Order	3. Time "entered into the Designated System"	4. Time from which irrevocable	5. Notes
3.12	Instruction by LME Clear to: (a) a Custodian or Securities System Operator to receive title to, or interest in, Eligible Securities from an account of a Member; or (b) a Securities Account Operator, acting on behalf of LME Clear, to facilitate that the Securities System Operator shall receive title to, or interest in, Eligible Securities from an account of a Member.	Securities Transfer Order	The time of submission by LME Clear of the instruction into the SWIFT Messaging Gateway, or any other communication mechanism permitted by the Custody Agreement, Securities Account Operator Agreement or Securities System Terms (as applicable), used by LME Clear to transmit the instruction to the Participant.	The time at which the Eligible Securities are transferred to an account in respect of which LME Clear is legally or beneficially entitled or the time at which the Custodian, Securities System Operator or Securities Account Operator confirms to LME Clear by SWIFT message or other form of confirmation permitted by the Custody Agreement, Securities Account Operator Agreement or Securities System Terms (as applicable) that such transfer will be made or that such transfer has been made (whichever is the earlier).	1. The transfer of Eligible Securities shall be from an account of the Member with a Custodian or a Securities System Operator to an account of LME Clear with a Custodian or a Securities System Operator and shall be recorded by book transfer by the Custodian or securities settlement by the Securities System Operator. 2. Such transfers of Eligible Securities will arise pursuant to the provision by a Member of Securities Collateral pursuant to and in accordance with the Rules, whether by substitution for Cash Collateral or otherwise. 3. The instruction may be given by SWIFT message or by any other means specified in, or permitted by (as applicable): (a) the Custody Agreement between LME Clear and the Custodian; (b) the Securities Account Operator Agreement between LME Clear and the Securities Account Operator; or (c) Securities System Terms between LME Clear and the Securities Account Operator.
3.12AAA	An instruction by a Member to a Triparty Collateral Custodian to transfer title to, or interest in Eligible Securities to the Member through a transfer of such Eligible Securities from LME Clear's Triparty Collateral Custody Account to the	Securities Transfer Order	The time of submission by the Member of the instruction into the SWIFT Messaging Gateway, or any other communication mechanism permitted by the Triparty	The point in time at which the Securities Collateral is recorded as having been received into the Member's Triparty Collateral Custody Account.	1. The transfer type detailed in this row relates to circumstances in which: (a) a Member instructs a Triparty Collateral Custodian to transfer Securities Collateral from LME Clear's Triparty Collateral Custody Account to the Member's Triparty Collateral Custody Account; and

Settlement Finality Procedure

	1. Transfer Order	2. Type of Transfer Order	3. Time "entered into the Designated System"	4. Time from which irrevocable	5. Notes
	Member's Triparty Collateral Custody Account.		Custody Documentation, used by the Member to transmit the instruction to the Triparty Collateral Custodian.		(b) the conditions set out in Clearing Procedure D4 are satisfied; and (c) where such transfer occurs other than as part of a Collateral substitution process. (Note that Collateral substitution processes within a Triparty Custody Arrangement are specified at row 3.8A and relatedly row 3.12A, and at row 3.8B and relatedly row 3.12B.) 2. The instruction shall be to transfer certain Eligible Securities to the Member's Triparty Collateral Custody Account from LME Clear's Triparty Collateral Custody Account. 3. The instruction may be given by SWIFT message or by any other means specified in, or permitted by, the Triparty Custody Documentation.
3.12AA	An instruction by a Member to a Triparty Collateral Custodian to transfer title to, or interest in, Eligible Securities to LME Clear through a transfer of such Eligible Securities from the Member's Triparty Collateral Custody Account to LME Clear's Triparty Collateral Custody Account.	Securities Transfer Order	The time of submission by the Member of the instruction into the SWIFT Messaging Gateway, or any other communication mechanism permitted by the Triparty Custody Documentation, used by the Member to transmit the instruction to the Triparty Collateral Custodian.	The point in time at which the Securities Collateral is recorded as having been received into LME Clear's Triparty Collateral Custody Account.	1. The transfer type detailed in this row relates to circumstances in which: (a) a Member instructs a Triparty Collateral Custodian to transfer Securities Collateral from the Member's Triparty Collateral Custody Account to LME Clear's Triparty Collateral Custody Account; (b) the conditions set out in Clearing Procedure D4 are satisfied; and (c) where such transfer occurs other than as part of a Collateral substitution process. (Note that Collateral substitution processes within a Triparty Custody Arrangement are specified at row 3.8A and relatedly row 3.12A, and at row 3.8B and relatedly row 3.12B.)

	1. Transfer Order	2. Type of Transfer Order	3. Time "entered into the Designated System"	4. Time from which irrevocable	5. Notes
					2. The instruction shall be to transfer to LME Clear certain Eligible Securities from the Member's Triparty Collateral Custody Account to LME Clear's Triparty Collateral Custody Account. 3. The instruction may be given by SWIFT message or by any other means specified in, or permitted by, the Triparty Custody Documentation.
3.12A	An instruction by a Member, or a Deemed Instruction arising under an automated process, by which a Triparty Collateral Custodian shall substitute identifiable Securities Collateral with Cash Collateral (in whole or in part), by returning specified Securities Collateral (identified by ISIN(s)) to the Member's Triparty Collateral Custody Account and replacing it with Cash Collateral of an equivalent value, from the Member's Triparty Collateral Custody Account.	Securities Transfer Order	Member instructions: The time of submission by the Member of the instruction into the SWIFT Messaging Gateway, or any other communication mechanism permitted by the Triparty Custody Documentation, used by the Member to transmit the instruction to the Triparty Collateral Custodian to substitute the Collateral. Deemed Instructions: The point in time at which the Triparty Collateral Custodian's system records the	The point in time at which Cash Collateral is recorded as having been received into the relevant account held in LME Clear's name at the Triparty Collateral Custodian.	1. The transfer type detailed in this row relates to circumstances in which a Member instructs a Triparty Collateral Custodian, either directly or on a deemed basis, to transfer Securities Collateral from LME Clear's Triparty Collateral Custody Account to the Member Triparty Collateral Custody Account, resulting in a substitution of that Securities Collateral with Cash Collateral. Members are unable to directly instruct (as opposed to instructing on a deemed basis) a Triparty Collateral Custodian to transfer Cash Collateral from the Member's Triparty Collateral Custody Account to LME Clear's Triparty Collateral Custody Account in any other circumstances. This type of transfer involves both a Securities Transfer Order (in relation to the Securities Collateral that is to be substituted with Cash Collateral) and a Payment Transfer Order (in relation to the Cash Collateral that is to substitute the Securities Collateral). This 3.12A specifies the Securities Transfer Order requirements, whereas the related Payment Transfer Order requirements are specified at 3.8A above. 2. The transfer of Eligible Securities shall be from LME Clear's Triparty Collateral Custody Account to the Member Triparty Collateral Custody Account, and shall

	1. Transfer Order	2. Type of Transfer Order	3. Time "entered into the Designated System"	4. Time from which irrevocable	5. Notes
			substitution of Eligible Securities with Cash Collateral as a result of an automated substitution of Eligible Collateral.		be recorded by book transfer by the Triparty Collateral Custodian. 3. Such transfers of Eligible Securities will arise pursuant to the provision by a Member of Cash Collateral pursuant to and in accordance with the Rules. 4. In relation to Member instructions (as opposed to deemed Member instructions), the instruction to substitute any component of Collateral may be given by the Member via any communication mechanism permitted by the Triparty Custody Documentation. In relation to Deemed Instructions, the Deemed Instruction may arise through the Member's subscription, or agreement or election, to use automated collateral substitution arrangements provided by the Triparty Collateral Custodian under which Cash Collateral is transferred automatically to LME Clear's Triparty Collateral Custody Account where there is insufficient Security Collateral to meet the Triparty Transaction Amount. 5. For the avoidance of doubt, LME Clear shall not, nor shall it be required to, submit any instructions to the Triparty Collateral Custodian in order to facilitate the substitution of any Collateral (whether in whole or in part). The Member shall at all times comply with the applicable requirements of the relevant Triparty Collateral Custodian in undertaking a Collateral substitution.
3.12B	A unilateral instruction by a Member, or a Deemed Instruction, by which a Triparty Collateral Custodian shall substitute Cash	Securities Transfer Order	Unilateral Member instructions: The time of submission by the Member of the instruction into the	The point in time at which the replacement Securities Collateral is recorded as having been received into the relevant	1. The transfer type detailed in this row involves both a Payment Transfer Order (in relation to the Cash Collateral that is to be substituted with replacement Securities Collateral) and a Securities Transfer Order (in relation to the replacement Securities Collateral that is to

Settlement Finality Procedure

	1. Transfer Order	2. Type of Transfer Order	3. Time "entered into the Designated System"	4. Time from which irrevocable	5. Notes
	Collateral held in LME Clear's Triparty Collateral Custody Account with identifiable Securities Collateral, by returning the Cash Collateral to the Member's Triparty Collateral Custody Account and replacing such Cash Collateral in LME Clear's Triparty Collateral Custody Account with specified Securities Collateral (identified by ISIN(s)) of equivalent value.		SWIFT Messaging Gateway, or any other communication mechanism permitted by the Triparty Custody Documentation, used by the Member to transmit the instruction to the Triparty Collateral Custodian to substitute the specified Collateral. Deemed Instructions: The point in time at which the Triparty Collateral Custodian's system records the substitution of Cash Collateral with Eligible Securities of an equivalent value, as a result of an automated substitution of Cash Collateral.	account held in LME Clear's name at the Triparty Collateral Custodian.	substitute the Cash Collateral). This 3.12B specifies the Securities Transfer Order requirements, whereas the related Payment Transfer Order requirements are specified at 3.8B above. 2. The transfer of Securities Collateral shall be made from the relevant named account of the Member held with the Triparty Collateral Custodian, to a named account of LME Clear that is held with the same Triparty Collateral Custodian, and shall be recorded by book transfer by the Triparty Collateral Custodian. 3. Such transfers of Cash Collateral will arise pursuant to the provision by a Member of replacement Securities Collateral pursuant to and in accordance with the Rules. 4. In relation to unilateral Member instructions, the instruction to substitute any component of Collateral may be given by the Member via any communication mechanism permitted by the Triparty Custody Documentation. In relation to Deemed Instructions, the Deemed Instruction may arise through the Member's subscription, or agreement or election, to use automated collateral substitution arrangements provided by the Triparty Collateral Custodian under which Cash Collateral is transferred automatically to LME Clear's Triparty Collateral Custody Account where there is insufficient Security Collateral to meet the Triparty Transaction Amount. 5. For the avoidance of doubt, LME Clear shall not, nor shall it be required to, submit any instructions to the Triparty Collateral Custodian in order to facilitate the substitution of any Collateral (whether in whole or in part). The Member shall at all times comply with the applicable

Settlement Finality Procedure

	1. TRANSFER ORDER	2. TYPE OF TRANSFER ORDER	3. TIME "ENTERED INTO THE DESIGNATED SYSTEM"	4. TIME FROM WHICH IRREVOCABLE	5. NOTES
					requirements of the relevant Triparty Collateral Custodian in undertaking a Collateral substitution.
3.13	Instruction by LME Clear to: (a) a Custodian or Securities System Operator to transfer the title to, or interest in, Eligible Securities from an account of LME Clear to an account of a Member; or (b) a Securities Account Operator, acting on behalf of LME Clear, to facilitate that the Securities System Operator shall transfer the title to, or interest in, Eligible Securities from an account of LME Clear to an account of a Member.	Securities Transfer Order	The time of submission by LME Clear of the instruction into the SWIFT Messaging Gateway, or any other communication mechanism permitted by the Custody Agreement, Securities Account Operator Agreement or Securities System Terms (as applicable), used by LME Clear to transmit the instruction to the Participant.	The time at which the Eligible Securities are transferred from an account in respect of which LME Clear is legally or beneficially entitled or, if it is later, the time at which the Custodian, Securities System Operator or Securities Account Operator confirms to LME Clear by SWIFT message or other form of confirmation permitted by the Custody Agreement, Securities Account Operator Agreement or Securities System Terms (as applicable) that such transfer has been made.	1. The transfer of Eligible Securities shall be from an account of LME Clear with a Custodian or a Securities System Operator to an account of the Member with a custodian or a Securities System Operator and shall be recorded by book transfer by the Custodian or securities settlement by the Securities System Operator. 2. Such transfers of Eligible Securities will arise pursuant to the return by LME Clear to a Member of Securities Collateral pursuant to and in accordance with the Rules. 3. The instruction may be given by SWIFT message or by any other means specified in, or permitted by (as applicable): (a) the Custody Agreement between LME Clear and the Custodian; or (b) the Securities Account Operator Agreement between LME Clear and the Securities Account Operator; or (c) Securities System Terms between LME Clear and the Securities Account Operator.
3.14	The transfer of Securities Collateral by LME Clear from a Defaulting Member to another Member pursuant to LME Clear's exercise of its	Securities Transfer Order	The time of the transfer in accordance with the Rules.	The time at which LME Clear's books and records are updated as a result of a successful transfer of the Collateral.	The transfer may occur as a consequence of Rule 10.7 (*Portability of Client Accounts*) or otherwise pursuant to Rule 10 (*Default*) or the Default Procedures.

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	1. Transfer Order	2. Type of Transfer Order	3. Time "entered into the Designated System"	4. Time from which irrevocable	5. Notes
	powers under the Default Rules.				
3.15	Instruction by LME Clear to: (a) a Custodian or Securities System Operator to transfer the title to, or interest in, Eligible Securities from an account of LME Clear to an account of a Defaulting Member or its insolvency practitioner pursuant to the Default Rules; or (b) a Securities Account Operator, acting on behalf of LME Clear, to facilitate that the Securities System Operator shall transfer the title to, or interest in, Eligible Securities from an account of LME Clear to an account of a Defaulting Member or its insolvency practitioner	Securities Transfer Order	The time of submission by LME Clear of the instruction into the SWIFT Messaging Gateway, or any other communication mechanism permitted by the Custody Agreement, Securities Account Operator Agreement or Securities System Terms (as applicable), used by LME Clear to transmit the instruction to the Participant.	The time at which the Eligible Securities are transferred from an account in respect of which LME Clear is legally or beneficially entitled or, if it is later, the time at which the Custodian, Securities System Operator or Securities Account Operator confirms to LME Clear by SWIFT message or other form of confirmation permitted by the Custody Agreement, Securities Account Operator Agreement or Securities System Terms (as applicable) that such transfer has been made.	1. The transfer of Eligible Securities shall be from an account of LME Clear with a Custodian or a Securities System Operator to an account of the Defaulting Member or its insolvency practitioner with a Custodian or a Securities System Operator and shall be recorded by book transfer by the Custodian or securities settlement by the Securities System Operator. 2. The transfer of Eligible Securities shall be to discharge an obligation of LME Clear under the Rules to return to a Defaulting Member any Securities Collateral following the calculation of the final net settlement in respect of that Defaulting Member. 3. The instruction may be given by SWIFT message or by any other means specified in, or permitted by (as applicable): (a) the Custody Agreement between LME Clear and the Custodian; (b) the Securities Account Operator Agreement between LME Clear and the Securities Account Operator; or (c) Securities System Terms between LME Clear and the Securities Account Operator.

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	1. TRANSFER ORDER	2. TYPE OF TRANSFER ORDER	3. TIME "ENTERED INTO THE DESIGNATED SYSTEM"	4. TIME FROM WHICH IRREVOCABLE	5. NOTES
	pursuant to the Default Rules				

4. **PROHIBITION ON REVOCATION OF TRANSFER ORDERS**

No Participant (or any insolvency practitioner appointed in relation to the Participant) may revoke or purport to revoke any Transfer Order, which shall be binding on all such persons, after the time specified in section 3 above as being the time when such Transfer Order becomes irrevocable.

5. **GENERAL OBLIGATIONS OF MEMBERS AS PARTICIPANTS**

5.1 Members of LME Clear are Participants in the Designated System under the Settlement Finality Regulations.

5.2 Members must:

(a) comply with the Settlement Finality Regulations and Part VII;

(b) facilitate compliance by LME Clear with the requirements of the Settlement Finality Regulations and Part VII; and

(c) comply with any action taken by LME Clear pursuant to the Settlement Finality Regulations and Part VII.

6. **PROVISION OF INFORMATION**

6.1 A Participant must, within fourteen (14) days of being requested to do so by any person, and upon payment of a reasonable charge, provide to any person who requests it:

(a) details of the systems which are designated for the purposes of the Settlement Finality Directive in which the Participant participates; and

(b) information about the main rules of governing the functioning of those systems.

6.2 A Participant shall not be required to provide information to a person pursuant to section 6.1 above where the request is frivolous or vexatious.

6.3 Each Participant shall promptly provide to LME Clear such information as LME Clear may reasonably require from time to time in order to meet its obligations as operator of the Designated System under the Settlement Finality Regulations.

7. **NOTIFICATION OF INSOLVENCY EVENTS**

7.1 A Participant shall forthwith notify LME Clear and the Bank of England in the event that:

(a) a creditors' voluntary resolution is passed in respect of the Participant;

(b) a trust deed granted by the Participant becomes a protected trust deed;

(c) the appointment of an administrator under paragraph 14 or paragraph 22 of Schedule B1 to the Insolvency Act 1986 takes effect; or

(d) any analogous event occurs in respect of the Participant under the laws of a jurisdiction other than England and Wales.

7.2 Any notice given to LME Clear under this provision shall be given in writing addressed to the General Counsel, and shall be sent by first class pre-paid recorded delivery post or hand delivered to the following address:

LME Clear Limited

10 Finsbury Square
London EC2A 1AJ
United Kingdom

7.3 Any notice given to the Bank of England under this provision shall be sent by first class pre-paid recorded delivery post or hand delivered to the following address:

Manager of the Payment Systems Oversight Financial Resilience Division
Bank of England
Threadneedle Street
London EC2R 8AH

LME CLEAR LIMITED

ANNEXES

ANNEX 1 – ELIGIBLE PRODUCTS

1. **INTRODUCTION**

1.1 This Annex 1:

(a) sets out the list of Eligible Products that are eligible to be cleared via the Clearing System and the Product Specifications in respect of each such Eligible Product; and

(b) specifies which Eligible Products are Eligible Compressible Contracts for the purposes of Rule 12 (*Compression*).

1.2 The Eligible Products are:

(a) The following LME Base Products:

	Eligible Product	**Paragraph containing Product Specifications**
(i)	LME Exchange Traded Forwards	Paragraph 2.2
(ii)	LME Exchange Traded Futures	Paragraph 2.3
(iii)	LME Exchange Traded European Options	Paragraph 2.4
(iv)	LME Exchange Traded Average Price Options (TAPOs)	Paragraph 2.5
(v)	LME Exchange Traded Monthly Average Futures	Paragraph 2.6

(b) The following LMEprecious Products:

	Eligible Product	**Paragraph containing Product Specifications**
(i)	LMEprecious Futures	Paragraph 3.2
(ii)	LMEprecious Options	Paragraph 3.3

1.3 In section 2 of this Annex 1, capitalised terms that are not defined in these Rules shall have the same meaning given in the LME Rules.

1.4 The following Eligible Products are Eligible Compressible Contracts, and are therefore capable of compression, for the purposes of Rule 12 (*Compression*):

(a) LME Exchange Traded Forwards; and

(b) LME Exchange Traded Monthly Average Futures.

1.5 Cash-Settled Futures are LME Exchange Traded Futures that include the following metals, as set out under Paragraph 2.3 below:

Metals	Paragraph
US Premium, Alumina, Molybdenum, Cobalt, European DUP Premium, LME Aluminium Premium Duty Paid European, LME Aluminium UBC Scrap US and LME Lithium Hydroxide CIF	Paragraph 2.3(b) – Cash-Settled Futures: Non-Ferrous Metals
Steel Scrap, Steel Scrap CFR India, Steel Scrap CFR Taiwan, Steel Rebar, HRC N. America, HRC FOB China and HRC NW Europe	Paragraph 2.3(c) – Cash-Settled Futures: Ferrous Metals

2. LME BASE PRODUCTS

2.1 General

(a) The Approved Transaction Platform for all LME Base Products is LMEsmart.

(b) USD is the nominated Base Currency for all LME Base Products.

(c) The full Product Specifications of the LME Base Products are determined by the LME Rules and the notices issued by LME under the LME Rules. For ease of reference a representation of these Product Specifications is provided in this paragraph 2.

Annex 1

2.2 **LME Exchange Traded Forwards**

(a) **Non-Ferrous Metals**

Individual Metal parameters for Non-Ferrous Metals

Metal	Product ID (Code)	Lot Size
Aluminium Alloy	AA	20 metric tonnes
High Grade Primary Aluminium	AH	25 metric tonnes
North American Special Aluminium Alloy (NASAAC)	NA	20 metric tonnes
Copper Grade A	CA	25 metric tonnes
Primary Nickel	NI	6 metric tonnes
Standard Lead	PB	25 metric tonnes
Tin	SN	5 metric tonnes
Special High Grade Zinc	ZS	25 metric tonnes

Prompt Date Structure

Metal	Daily	Weekly (Wednesdays)	Monthly (third (3rd) Wednesday)	Monthly (second (2nd) Business Day)
AH, CA	TOM to three (3) months	Four (4) months to six (6) months	Seven (7) months to one hundred and twenty-three (123) months	Four (4) months to twenty-four (24) months
NI, ZS	TOM to three (3) months	Four (4) months to six (6) months	Seven (7) months to sixty-three (63) months	Four (4) months to twenty-four (24) months
PB	TOM to three (3) months	Four (4) months to six (6) months	Seven (7) months to sixty-three (63) months	Four (4) months to fifteen (15) months
AA, NA	TOM to three (3) months	Four (4) months to six (6) months	Seven (7) months to twenty-seven (27) months	Four (4) months to twenty-four (24) months
SN	TOM to three (3) months	Four (4) months to six (6) months	Seven (7) months to fifteen (15) months	Four (4) months to fifteen (15) months

Annex 1

Common parameters for Non-Ferrous Metals

Parameter	Definition
Settlement Currency	EUR, GBP, JPY or USD
Price Quotation	USD per metric tonne.
Minimum Price Movement	For trades in EUR, GBP or USD = 0.01 For trades in JPY = 1.
Last Submission Date	The Last Submission Date is one (1) good LME Business Day prior to the Prompt Date.
Trade Submission	For trades in EUR, GBP or USD, any good LME Business Day up to 13:30 hours on the Last Submission Date. For trades in JPY, any good LME Business Day up to 20:00 hours on the day preceding the Last Submission Date.
Prompt Date	The Settlement Business Day on which the Contract is to be settled.
Closing Valuations	LME Closing Price.
Margin Model	Initial Margin and Variation Margin calculated in accordance with the methodology specified in Clearing Procedure Part C.
Settlement Type	Physical - as LME Warrants
Settlement Price	LME Settlement Price.
Metal Settlement	LME Warrants through LMEsword as per LME Rules
Currency Settlement	Through Secure Payment Systems

Annex 1

(b) **Minor Metals**

Individual Metal parameters for Minor Metals

Metal	Product ID (Code)	Lot Size
Cobalt	CO	1 metric tonne
Molybdenum ***[Contract not currently available]***	MO	6 metric tonnes

Prompt Date Structure

Metal	Daily	Weekly (Wednesdays)	Monthly (third (3rd) Wednesday)
CO	TOM to three (3) months	Four (4) months to six (6) months	Seven (7) months to fifteen (15) months
MO [*Contract not currently available]*	TOM to three (3) months	Four (4) months to six (6) months	Seven (7) months to fifteen (15) months

Common parameters for Minor Metals

Parameter	Definition
Settlement Currency	EUR, GBP, JPY or USD
Price Quotation	USD per metric tonne.
Minimum Price Movement	For trades in EUR, GBP or USD = 0.01 For trades in JPY = 1.
Last Submission Date	The Last Submission Date is one good LME Business Day prior to the Prompt Date.
Trade Submission	For trades in EUR, GBP or USD, any good LME Business Day up to 13:30 hours on the Last Submission Date. For trades in JPY, any good LME Business Day up to 20:00 hours on the day preceding the Last Submission Date.
Prompt Date	The Settlement Business Day on which the Contract is to be settled.
Closing Valuations	LME Closing Price.
Margin Model	Initial Margin and Variation Margin calculated in accordance with the methodology specified in Clearing Procedure Part C.
Settlement Type	Physical - as LME Warrants.
Settlement Price	LME Settlement Price.
Metal Settlement	LME Warrants through LMEsword as per LME Rules
Currency Settlement	Through Secure Payment System

Annex 1

(c) **Steel** *[Contract not currently available]*

Parameters for Steel *[Contract not currently available]*

Metal	Product ID (Code)	Lot Size
Steel Billet	FM	65 metric tonnes

Prompt Date Structure *[Contract not currently available]*

Metal	Daily	Weekly (Wednesdays)	Monthly (third (3rd) Wednesday)
FM	TOM to three (3) months	Four (4) months to six (6) months	Seven (7) months to fifteen (15) months

Common parameters for Steel *[Contract not currently available]*

Parameter	Definition
Settlement Currency	USD
Price Quotation	USD per metric tonne.
Minimum Price Movement	USD = 0.01
Last Submission Date	The Last Submission Date is one (1) good LME Business Day prior to the Prompt Date.
Trade Submission	Any good LME Business Day up to 13:30 hours on the Last Submission Date.
Prompt Date	The Settlement Business Day on which the Contract is to be settled.
Closing Valuations	LME Closing Price.
Margin Model	Initial Margin and Variation Margin calculated in accordance with the methodology specified in Clearing Procedure Part C.
Settlement Type	Physical - as LME Warrants.
Settlement Price	LME Settlement Price.
Metal Settlement	LME Warrants through LMEsword as per LME Rules.
Currency Settlement	Through Secure Payment Systems

(d) **LME Aluminium Premium Contracts**

Individual Metal parameters for LME Aluminium Premium Contracts

Annex 1

Metal	Product ID (Code)	Lot Size
LME US Aluminium Premium	AN	25 metric tonnes
LME Western Europe Aluminium Premium	AW	25 metric tonnes
LME Eastern Asia Aluminium Premium	AE	25 metric tonnes
LME South-Eastern Asia Aluminium Premium	AS	25 metric tonnes

Prompt Date Structure

Metal	Monthly
High grade primary aluminium premium warrant in the designated region	Monthly out to fifteen (15) months

Common parameters for LME Aluminium Premium Contracts

<table>
<tr><th>Parameter</th><th>Definition</th></tr>
<tr><td>Settlement Currency</td><td>USD</td></tr>
<tr><td>Price Quotation</td><td>USD per metric tonne.</td></tr>
<tr><td>Minimum Price Movement</td><td>
<table>
<tr><th>Venue</th><th>Outright</th><th>Carries</th></tr>
<tr><td>Ring</td><td>$0.50</td><td>$0.01</td></tr>
<tr><td>LMEselect</td><td>$0.50</td><td>$0.01</td></tr>
<tr><td>LME Inter-Office Market</td><td>$0.01</td><td>$0.01</td></tr>
</table>
</td></tr>
<tr><td>Last Submission Date</td><td>Two (2) Business Days before the third (3rd) Wednesday of the contract month trading in the expiring Contract.</td></tr>
<tr><td>Trade Submission</td><td>Any good LME Business Day up to 13:30 hours on the Last Submission Date.</td></tr>
<tr><td>Prompt Date</td><td>Third (3rd) Wednesday of each maturity month.</td></tr>
<tr><td>Closing Valuations</td><td>LME Closing Price.</td></tr>
<tr><td>Margin Model</td><td>Initial Margin and Variation Margin calculated in accordance with the methodology specified in Clearing Procedure Part C.</td></tr>
<tr><td>Settlement Type</td><td>Physically delivered.

Seller provides: LME Premium Warrant for aluminium in the designated Premium Warrant Jurisdiction.

Buyer provides: A Settlement Payment comprising:</td></tr>
</table>

Annex 1

	• any LME Warrant for aluminium; • PLUS the premium cash as agreed at contract formation; • LESS the premium aluminium Free On Truck charge at the Warehouse where the LME Premium Warrant for aluminium is delivered.
Settlement Price	LME Settlement Price.
Currency Settlement	Through Secure Payment Systems.

Annex 1

2.3 LME Exchange Traded Futures

(a) Non-Ferrous Metals – (LMEminis)

Individual Metal parameters for Non-Ferrous Metals – LMEminis

Metal	Product ID (Code)	Lot Size
High Grade Primary Aluminium	MA	5 metric tonnes
Copper Grade A	MC	5 metric tonnes
Special High Grade Zinc	MZ	5 metric tonnes

Prompt Date Structure

Metal	Monthly
MA, MC, MZ	Monthly to 12 months

Common parameters for Non-Ferrous Metals (LMEminis)

Parameter	Definition
Settlement Currency	USD
Price Quotation	USD per metric tonne.
Minimum Price Movement	USD = 0.01
Last Submission Date	The Last Submission Date is two (2) good LME Business Days prior to the Prompt Date.
Trade Submission	Any good LME Business Day up to 13:30 hours on the Last Submission Date.
Prompt Date	The Settlement Business Day on which the Contract is to be settled. (Prompt Date is the third (3rd) Wednesday of the relevant month.)
Closing Valuations	LME Closing Price. (Exclusive of the discount factor.)
Margin Model	Initial Margin and Variation Margin calculated in accordance with the methodology specified in Clearing Procedure Part C.
Settlement Type	Financial – as a difference to the Settlement Price on the Expiry Date
Settlement Price	LME Settlement Price.
Currency Settlement	Through Secure Payment Systems.

Annex 1

(b) **Cash-Settled Futures: Non-Ferrous Metals**

(i) **Individual Metal parameters for Cash-Settled Futures – LME Aluminium Premium Duty Paid US Midwest**

Metal	Product ID (Code)	Lot Size
US Premium	UP	25 metric tonnes

Prompt Date Structure

Metal	Daily	Weekly (Wednesdays)	Monthly (3rd Wednesday)	Monthly (last Business Day of the month)
Aluminium (UP)	N/A	N/A	N/A	Front month to fifteen (15) months

Specific parameters for LME Aluminium Premium Duty Paid US Midwest

Parameter	Definition
Settlement Currency	USD
Price Quotation	USD per metric tonne.
Minimum Price Movement	**Venue** / **Outright** / **Carries** Ring / N/A / N/A LMEselect / $0.50 / $0.01 LME Inter-Office Market / $0.01 / $0.01
Last Submission Date	Last Business Day of the contract month until 19:00 hours London Time.
Trade Submission	Any good LME Business Day up to 19:00 hours on the Last Submission Date.
Prompt Date	The Prompt Date is the Last Submission Date (as set out above).
Cash Settlement	Second Settlement Business Day following the Prompt Date.
Closing Valuations	Cash-Settled Future Daily Settlement Price for US Premium.
Margin Model	Initial Margin and Variation Margin calculated in accordance with the methodology specified in Clearing Procedure Part C.

Annex 1

Settlement Type	Cash settlement.
Settlement Price	The Cash-Settled Future Final Settlement Price for US Premium, determined in accordance with the LME Rules.
Metal Settlement	N/A
Currency Settlement	Through Secure Payment Systems.

Annex 1

(ii) **Individual Metal parameters for Cash-Settled Futures – LME Alumina**

Metal	Product ID (Code)	Lot Size
Alumina	AM	50 metric tonnes

Prompt Date Structure

Metal	Daily	Weekly (Wednesdays)	Monthly (3rd Wednesday)	Monthly (last Business Day of the month)
Alumina (AM)	N/A	N/A	N/A	Front month to fifteen (15) months

Specific parameters for LME Alumina

Parameter	Definition
Settlement Currency	USD
Price Quotation	USD per metric tonne.
Minimum Price Movement	**Venue** / **Outright** / **Carries** Ring / N/A / N/A LMEselect / $0.50 / $0.01 LME Inter-Office Market / $0.01 / $0.01
Last Submission Date	Last Business Day of the contract month until 16:00 hours London Time.
Trade Submission	Any good LME Business Day up to 16:00 hours on the Last Submission Date.
Prompt Date	The Prompt Date is the Last Submission Date (as set out above).
Cash Settlement	Settlement Business Day following the Prompt Date.
Closing Valuations	Cash-Settled Future Daily Settlement Price for Alumina.
Margin Model	Initial Margin and Variation Margin calculated in accordance with the methodology specified in Clearing Procedure Part C.
Settlement Type	Cash settlement.

Annex 1

Settlement Price	The Cash-Settled Future Final Settlement Price for Alumina, determined in accordance with the LME Rules.
Metal Settlement	N/A
Currency Settlement	Through Secure Payment Systems.

Annex 1

(iii) **Individual Metal parameters for Cash-Settled Futures – LME Molybdenum**

[Contract not currently available]

Metal	Product ID (Code)	Lot Size
Molybdenum	MD	2205 lbs (pounds)

Prompt Date Structure *[Contract not currently available]*

Metal	Daily	Weekly (Wednesdays)	Monthly (3rd Wednesday)	Monthly (last Business Day of the month)
Molybdenum (MD)	N/A	N/A	N/A	Front month to fifteen (15) months

Specific parameters for LME Molybdenum *[Contract not currently available]*

<table>
<tr><th>Parameter</th><th>Definition</th></tr>
<tr><td>Settlement Currency</td><td>USD</td></tr>
<tr><td>Price Quotation</td><td>USD per lbs (pound).</td></tr>
<tr><td>Minimum Price Movement</td><td>
<table>
<tr><th>Venue</th><th>Outright</th><th>Carries</th></tr>
<tr><td>Ring</td><td>N/A</td><td>N/A</td></tr>
<tr><td>LMEselect</td><td>$0.05</td><td>$0.01</td></tr>
<tr><td>LME Inter-Office Market</td><td>$0.01</td><td>$0.01</td></tr>
</table>
</td></tr>
<tr><td>Last Submission Date</td><td>Last Business Day of the contract month until 13:00 hours London Time.</td></tr>
<tr><td>Trade Submission</td><td>Any good LME Business Day up to 13:00 hours on the Last Submission Date.</td></tr>
<tr><td>Prompt Date</td><td>The Prompt Date is the Last Submission Date (as set out above).</td></tr>
<tr><td>Cash Settlement</td><td>Settlement Business Day following the Prompt Date.</td></tr>
<tr><td>Closing Valuations</td><td>Cash-Settled Future Daily Settlement Price for Molybdenum.</td></tr>
<tr><td>Margin Model</td><td>Initial Margin and Variation Margin calculated in accordance with the methodology specified in Clearing Procedure Part C.</td></tr>
<tr><td>Settlement Type</td><td>Cash settlement.</td></tr>
</table>

Annex 1

Settlement Price	The Cash-Settled Final Settlement Price for Molybdenum, determined in accordance with the LME Rules.
Metal Settlement	N/A
Currency Settlement	Through Secure Payment Systems.

Annex 1

(IV) Individual Metal parameters for Cash-Settled Futures – LME Cobalt

Metal	Product ID (Code)	Lot Size
Cobalt	CB	1 metric tonne

Prompt Date Structure

Metal	Daily	Weekly (Wednesdays)	Monthly (3rd Wednesday)	Monthly (last Business Day of the month)
Cobalt (CB)	N/A	N/A	N/A	Front month to fifteen (15) months

Specific parameters for LME Cobalt

Parameter	Definition
Settlement Currency	USD
Price Quotation	USD per metric tonne.
Minimum Price Movement	**Venue** / **Outright** / **Carries** Ring / N/A / N/A LMEselect / $50.00 / $0.01 LME Inter-Office Market / $0.01 / $0.01
Last Submission Date	Last Business Day of the contract month until 14:00 hours London Time.
Trade Submission	Any good LME Business Day up to 14:00 hours on the Last Submission Date.
Prompt Date	The Prompt Date is the Last Submission Date (as set out above).
Cash Settlement	Settlement Business Day following the Prompt Date.
Closing Valuations	Cash-Settled Future Daily Settlement Price for Cobalt.
Margin Model	Initial Margin and Variation Margin calculated in accordance with the methodology specified in Clearing Procedure Part C.
Settlement Type	Cash settlement.

Annex 1

Settlement Price	The Cash-Settled Future Final Settlement Price for Cobalt, determined in accordance with the LME Rules.
Metal Settlement	N/A
Currency Settlement	Through Secure Payment Systems.

Annex 1

(v) **Individual Metal parameters for Cash-Settled Futures – LME Aluminium Premium Duty Unpaid European**

Metal	Product ID (Code)	Lot Size
European DUP Premium	EA	25 metric tonnes

Prompt Date Structure

Metal	Daily	Weekly (Wednesdays)	Monthly (3rd Wednesday)	Monthly (last Business Day of the month)
European DUP Premium (EA)	N/A	N/A	N/A	Front month to fifteen (15) months

Specific parameters for LME Aluminium Premium Duty Unpaid European

<table>
<tr><th>Parameter</th><th>Definition</th></tr>
<tr><td>Settlement Currency</td><td>USD</td></tr>
<tr><td>Price Quotation</td><td>USD per metric tonne.</td></tr>
<tr><td>Minimum Price Movement</td><td>
<table>
<tr><th>Venue</th><th>Outright</th><th>Carries</th></tr>
<tr><td>Ring</td><td>N/A</td><td>N/A</td></tr>
<tr><td>LMEselect</td><td>$0.50</td><td>$0.01</td></tr>
<tr><td>LME Inter-Office Market</td><td>$0.01</td><td>$0.01</td></tr>
</table>
</td></tr>
<tr><td>Last Submission Date</td><td>Last Business Day of the contract month until 15:00 hours London Time.</td></tr>
<tr><td>Trade Submission</td><td>Any good LME Business Day up to 15:00 hours on the Last Submission Date.</td></tr>
<tr><td>Prompt Date</td><td>The Prompt Date is the Last Submission Date (as set out above).</td></tr>
<tr><td>Cash Settlement</td><td>Settlement Business Day following the Prompt Date.</td></tr>
<tr><td>Closing Valuations</td><td>Cash-Settled Future Daily Settlement Price for European DUP Premium.</td></tr>
<tr><td>Margin Model</td><td>Initial Margin and Variation Margin calculated in accordance with the methodology specified in Clearing Procedure Part C.</td></tr>
<tr><td>Settlement Type</td><td>Cash settlement.</td></tr>
</table>

Annex 1

Settlement Price	The Cash-Settled Future Final Settlement Price for European DUP Premium, determined in accordance with the LME Rules.
Metal Settlement	N/A
Currency Settlement	Through Secure Payment Systems.

Annex 1

(vi) **Individual parameters for LME Aluminium Premium Duty Paid European**

Metal	Product ID (Code)	Lot Size
European DP Premium	ED	25 metric tonnes

Prompt Date Structure

Metal	Daily	Weekly (Wednesdays)	Monthly (3rd Wednesday)	Monthly (last Business Day of the month)
European DP Premium (ED)	N/A	N/A	N/A	Front month to fifteen (15) months

Specific parameters for LME Aluminium Premium Duty Paid European

<table>
<tr><th>Parameter</th><th>Definition</th></tr>
<tr><td>Settlement Currency</td><td>USD</td></tr>
<tr><td>Price Quotation</td><td>USD per metric tonne.</td></tr>
<tr><td>Minimum Price Movement</td><td>
<table>
<tr><th>Venue</th><th>Outright</th><th>Carries</th></tr>
<tr><td>Ring</td><td>N/A</td><td>N/A</td></tr>
<tr><td>LMEselect</td><td>$0.50</td><td>$0.01</td></tr>
<tr><td>LME Inter-Office Market</td><td>$0.01</td><td>$0.01</td></tr>
</table>
</td></tr>
<tr><td>Last Submission Date</td><td>Last Business Day of the contract month until 15:00 hours London Time.</td></tr>
<tr><td>Trade Submission</td><td>Any good LME Business Day up to 15:00 hours London Time on the Last Submission Date.</td></tr>
<tr><td>Prompt Date</td><td>The Prompt Date is the Last Submission Date (as set out above).</td></tr>
<tr><td>Cash Settlement</td><td>Settlement Business Day following the Prompt Date.</td></tr>
<tr><td>Closing Valuations</td><td>Cash-Settled Future Daily Settlement Price for European Duty Paid Premium.</td></tr>
<tr><td>Margin Model</td><td>Initial Margin and Variation Margin calculated in accordance with the methodology specified in Clearing Procedure Part C.</td></tr>
<tr><td>Settlement Type</td><td>Cash settlement.</td></tr>
</table>

Annex 1

Settlement Price	The Cash-Settled Future Final Settlement Price for European DP Premium, determined in accordance with the LME Rules.
Metal Settlement	N/A
Currency Settlement	Through Secure Payment Systems.

Annex 1

(vii) **Individual parameters for LME Aluminium UBC Scrap US**

Metal	Product ID (Code)	Lot Size
Aluminium UBC Scrap US	UC	25 metric tonnes

Prompt Date Structure

Metal	Daily	Weekly (Wednesdays)	Monthly (3rd Wednesday)	Monthly (last Business Day of the month)
Aluminium UBC Scrap US (UC)	N/A	N/A	N/A	Front month to fifteen (15) months

Specific parameters for LME Aluminium UBC Scrap US

Parameter	Definition
Settlement Currency	USD
Price Quotation	USD per metric tonne.
Minimum Price Movement	**Venue** / **Outright** / **Carries** Ring / N/A / N/A LMEselect / $0.50 / $0.50 LME Inter-Office Market / $0.01 / $0.01
Last Submission Date	Last Business Day of the contract month until 19:00 hours London Time.
Trade Submission	Any good LME Business Day up to 19:00 hours London Time on the Last Submission Date.
Prompt Date	The Prompt Date is the Last Submission Date (as set out above).
Cash Settlement	Second Settlement Business Day following the Prompt Date.
Closing Valuations	Cash-Settled Future Daily Settlement Price for LME Aluminium UBC Steel Scrap US.
Margin Model	Initial Margin and Variation Margin calculated in accordance with the methodology specified in Clearing Procedure Part C.
Settlement Type	Cash settlement.

Annex 1

Settlement Price	The Cash-Settled Future Final Settlement Price for LME Aluminium UBC Scrap US, determined in accordance with the LME Rules.
Metal Settlement	N/A
Currency Settlement	Through Secure Payment Systems.

Annex 1

(viii) **Individual parameters for LME Lithium Hydroxide CIF**

Metal	Product ID (Code)	Lot Size
Lithium Hydroxide CIF	LH	1 metric tonne

Prompt Date Structure

Metal	Daily	Weekly (Wednesdays)	Monthly (3rd Wednesday)	Monthly (last Business Day of the month)
Lithium Hydroxide CIF (LH)	N/A	N/A	N/A	Front month to fifteen (15) months

Specific parameters for Lithium Hydroxide CIF

<table>
<tr><th>Parameter</th><th>Definition</th></tr>
<tr><td>Settlement Currency</td><td>USD</td></tr>
<tr><td>Price Quotation</td><td>USD per metric tonne.</td></tr>
<tr><td>Minimum Price Movement</td><td>
<table>
<tr><th>Venue</th><th>Outright</th><th>Carries</th></tr>
<tr><td>Ring</td><td>N/A</td><td>N/A</td></tr>
<tr><td>LMEselect</td><td>$10</td><td>$10</td></tr>
<tr><td>LME Inter-Office Market</td><td>$0.01</td><td>$0.01</td></tr>
</table>
</td></tr>
<tr><td>Last Submission Date</td><td>Last Business Day of the contract month until 16:00 hours London time.</td></tr>
<tr><td>Trade Submission</td><td>Any good LME Business Day up to 16:00 hours London Time on the Last Submission Date.</td></tr>
<tr><td>Prompt Date</td><td>The Prompt Date is the Last Submission Date (as set out above).</td></tr>
<tr><td>Cash Settlement</td><td>Settlement Business Day following the Prompt Date.</td></tr>
<tr><td>Closing Valuations</td><td>Cash-Settled Future Daily Settlement Price for Lithium Hydroxide CIF.</td></tr>
<tr><td>Margin Model</td><td>Initial Margin and Variation Margin calculated in accordance with the methodology specified in Clearing Procedure Part C.</td></tr>
<tr><td>Settlement Type</td><td>Cash settlement.</td></tr>
</table>

Annex 1

Settlement Price	The Cash-Settled Future Final Settlement Price for LME Lithium Hydroxide CIF determined in accordance with the LME Rules.
Metal Settlement	N/A
Currency Settlement	Through Secure Payment Systems.

(c) **Cash-Settled Futures: Ferrous Metals**

(i) **Individual Metal parameters for Ferrous Metals – LME Steel Scrap**

Metal	Product ID (Code)	Lot Size
Steel Scrap	SC	10 metric tonnes

Prompt Date Structure

Metal	Daily	Weekly (Wednesdays)	Monthly (3rd Wednesday)	Monthly (last Business Day of the month)
Steel Scrap	N/A	N/A	N/A	Front month to fifteen (15) months

Specific parameters for LME Steel Scrap

Parameter	Definition
Settlement Currency	USD
Price Quotation	USD per metric tonne.
Minimum Price Movement	**Venue** / **Outright** / **Carries** Ring / N/A / N/A LMEselect / $0.50 / $0.01 LME Inter-Office Market / $0.01 / $0.01
Last Submission Date	Last Business Day of the contract month until 16.30 hours London Time.
Trade Submission	Any good LME Business Day up to 16:30 hours on the Last Submission Date.
Prompt Date	The Prompt Date is the Last Submission Date (as set out above).
Cash Settlement	Settlement Business Day following the Prompt Date.
Closing Valuations	Cash-Settled Future Daily Settlement Price for LME Steel Scrap.
Margin Model	Initial Margin and Variation Margin calculated in accordance with the methodology specified in Clearing Procedure Part C.

Annex 1

Settlement Type	Cash settlement.
Settlement Price	The Cash-Settled Future Final Settlement Price for LME Steel Scrap, determined in accordance with the LME Rules.
Metal Settlement	N/A
Currency Settlement	Through Secure Payment Systems.

Annex 1

(ii) **Individual Metal parameters for Ferrous Metals – LME Steel Scrap CFR India**

Metal	Product ID (Code)	Lot Size
Steel Scrap CFR India	SI	10 Metric Tonnes

Prompt Date Structure

Metal	Daily	Weekly (Wednesdays)	Monthly (3rd Wednesday)	Monthly (last Business Day of the month)
Steel Scrap CFR India	N/A	N/A	N/A	Front month to 15 months

Specific parameters for LME Steel HRC N. Europe

Parameter	Definition
Settlement Currency	USD
Price Quotation	USD per metric tonne.
Minimum Price Movement	**Venue** / **Outright** / **Carries** Ring / N/A / N/A LMEselect / $0.50 / $0.50 LME Inter-Office Market / $0.01 / $0.01
Last Submission Date	Last Business Day of the contract month until 16:30 hours London Time.
Trade Submission	Any good LME Business Day up to 16:30 hours on the Last Submission Date.
Prompt Date	The Prompt Date is the Last Submission Date (as set out above).
Cash Settlement	Settlement Business Day following the Prompt Date.
Closing Valuations	Cash-Settled Future Daily Settlement Price for LME Steel HRC N, Europe
Margin Model	Initial Margin and Variation Margin calculated in accordance with the methodology specified in Clearing Procedure Part C.
Settlement Type	Cash settlement.

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Settlement Price	The Cash-Settled Future Final Settlement Price for LME Steel Scrap CFR India, determined in accordance with the LME Rules.
Metal Settlement	N/A
Currency Settlement	Through Secure Payment Systems.

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Annex 1

(iii) **Individual Metal parameters for Ferrous Metals – Steel Scrap CFR Taiwan**

Metal	Product ID (Code)	Lot Size
Steel Scrap (HMS 80:20)	ST	10 metric tonnes

Prompt Date Structure

Metal	Daily	Weekly (Wednesdays)	Monthly (3rd Wednesday)	Monthly (last Business Day of the month)
Steel Scrap (HMS 80:20)	N/A	N/A	N/A	Front month to fifteen (15) months

Specific parameters for Steel Scrap CFR Taiwan

Parameter	Definition
Settlement Currency	USD
Price Quotation	USD per metric tonne.
Minimum Price Movement	**Venue** / **Outright** / **Carries** Ring / N/A / N/A LMEselect / $0.50 / $0.50 LME Inter-Office Market / $0.01 / $0.01
Last Submission Date	Last Business Day of the contract month until 09:00 hours London Time.
Trade Submission	Any good LME Business Day up to 09:00 hours on the Last Submission Date.
Prompt Date	The Prompt Date is the Last Submission Date (as set out above).
Cash Settlement	Settlement Business Day following the Prompt Date.
Closing Valuations	Cash-Settled Future Daily Settlement Price for Steel Scrap CFR Taiwan
Margin Model	Initial Margin and Variation Margin calculated in accordance with the methodology specified in Clearing Procedure Part C.
Settlement Type	Cash settlement.

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Settlement Price	The Cash-Settled Future Final Settlement Price for Steel Scrap CFR Taiwan, determined in accordance with the LME Rules.
Metal Settlement	N/A
Currency Settlement	Through Secure Payment Systems.

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(iv) **Individual Metal parameters for Ferrous Metals – LME Steel Rebar**

Metal	Product ID (Code)	Lot Size
Steel Rebar	SR	10 metric tonnes

Prompt Date Structure

Metal	Daily	Weekly (Wednesdays)	Monthly 3rd Wednesday)	Monthly (last Business Day of the month)
Steel Rebar	N/A	N/A	N/A	Front month to fifteen (15) months

Specific parameters for LME Steel Rebar

Parameter	Definition
Settlement Currency	USD
Price Quotation	USD per metric tonne.
Minimum Price Movement	**Venue** / **Outright** / **Carries** Ring / N/A / N/A LMEselect / $0.50 / $0.01 LME Inter-Office Market / $0.01 / $0.01
Last Submission Date	Last Business Day of the contract month until 16:30 hours London Time.
Trade Submission	Any good LME Business Day up to 16:30 hours on the Last Submission Date.
Prompt Date	The Prompt Date is the Last Submission Date (as set out above).
Cash Settlement	Settlement Business Day following the Prompt Date.
Closing Valuations	Cash-Settled Future Daily Settlement Price for LME Steel Rebar.
Margin Model	Initial Margin and Variation Margin calculated in accordance with the methodology specified in Clearing Procedure Part C.
Settlement Type	Cash settlement.

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Settlement Price	The Cash-Settled Future Final Settlement Price for LME Steel Rebar, determined in accordance with the LME Rules.
Metal Settlement	N/A
Currency Settlement	Through Secure Payment Systems.

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(v) **Individual Metal parameters for Ferrous Metals – LME Steel HRC N. America**

Metal	Product ID (Code)	Lot Size
HRC N. America	HU	10 short tons

Prompt Date Structure

Metal	Daily	Weekly (Wednesdays)	Monthly (3rd Wednesday)	Monthly (last Business Day of the month)
HRC N. America (HU)	N/A	N/A	N/A	Front month to fifteen (15) months

Specific parameters for LME Steel HRC N. America

Parameter	Definition
Settlement Currency	USD
Price Quotation	USD per short ton.
Minimum Price Movement	**Venue** / **Outright** / **Carries** Ring / N/A / N/A LMEselect / $0.50 / $0.01 LME Inter-Office Market / $0.01 / $0.01
Last Submission Date	Last Business Day of the contract month until 19:00 hours London Time.
Trade Submission	Any good LME Business Day up to 19:00 hours on the Last Submission Date.
Prompt Date	The Prompt Date is the Last Submission Date (as set out above).
Cash Settlement	Second Settlement Business Day following the Prompt Date.
Closing Valuations	Cash-Settled Future Daily Settlement Price for HRC N. America.
Margin Model	Initial Margin and Variation Margin calculated in accordance with the methodology specified in Clearing Procedure Part C.
Settlement Type	Cash settlement.

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Settlement Price	The Cash-Settled Future Final Settlement Price for HRC N. America, determined in accordance with the LME Rules.
Metal Settlement	N/A
Currency Settlement	Through Secure Payment Systems.

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(vi) **Individual Metal parameters for Ferrous Metals – LME Steel HRC FOB China**

Metal	Product ID (Code)	Lot Size
HRC FOB China	HC	10 metric tonnes

Prompt Date Structure

Metal	Daily	Weekly (Wednesdays)	Monthly (3rd Wednesday)	Monthly (last Business Day of the month)
HRC FOB China (HC)	N/A	N/A	N/A	Front month to fifteen (15) months

Specific parameters for LME Steel HRC FOB China

Parameter	Definition
Settlement Currency	USD
Price Quotation	USD per metric tonne.
Minimum Price Movement	**Venue** / **Outright** / **Carries** Ring / N/A / N/A LMEselect / $0.50 / $0.01 LME Inter-Office Market / $0.01 / $0.01
Last Submission Date	Last Business Day of the contract month until 10:30 hours London Time.
Trade Submission	Any good LME Business Day up to 10:30 hours on the Last Submission Date.
Prompt Date	The Prompt Date is the Last Submission Date (as set out above).
Cash Settlement	Settlement Business Day following the Prompt Date.
Closing Valuations	Cash-Settled Future Daily Settlement Price for HRC FOB China.
Margin Model	Initial Margin and Variation Margin calculated in accordance with the methodology specified in Clearing Procedure Part C.
Settlement Type	Cash settlement.

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Settlement Price	The Cash-Settled Future Final Settlement Price for HRC FOB China, determined in accordance with the LME Rules.
Metal Settlement	N/A
Currency Settlement	Through Secure Payment Systems.

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(vii) **Individual Metal parameters for Ferrous Metals – LME Steel HRC NW Europe**

Metal	Product ID (Code)	Lot Size
HRC NW Europe	HN	10 Metric Tonne

Prompt Date Structure

Metal	Daily	Weekly (Wednesdays)	Monthly (3rd Wednesday)	Monthly (last Business Day of the month)
HRC NW Europe	N/A	N/A	N/A	Front month to 15 months

Specific parameters for LME Steel HRC NW Europe

Parameter	Definition
Settlement Currency	USD
Price Quotation	USD per metric tonne.
Minimum Price Movement	**Venue** / **Outright** / **Carries** Ring / N/A / N/A LMEselect / $0.50 / $0.50 LME Inter-Office Market / $0.01 / $0.01
Last Submission Date	Last Business Day of the contract month until 16:30 hours London Time.
Trade Submission	Any good LME Business Day up to 16:30 hours on the Last Submission Date.
Prompt Date	The Prompt Date is the Last Submission Date (as set out above).
Cash Settlement	Settlement Business Day following the Prompt Date.
Closing Valuations	Cash-Settled Future Daily Settlement Price for LME Steel HRC NW Europe
Margin Model	Initial Margin and Variation Margin calculated in accordance with the methodology specified in Clearing Procedure Part C.
Settlement Type	Cash settlement.

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Settlement Price	The Cash-Settled Future Final Settlement Price for LME Steel HRC NW Europe, determined in accordance with the LME Rules.
Metal Settlement	N/A
Currency Settlement	Through Secure Payment Systems.

(d) **LME Index *[Contract not currently available]***

The LME Rules (and in particular the "Special Contract Rules for the Construction of the Index" and the notices issued by the LME under the LME Rules) provide the weightings for the various constituent metals of the Index and provide the methodology for the calculation of the Index value.

Prompt Date Structure

Product ID (Code)	Monthly
MX	Monthly to twelve (12) months

Parameters

Parameter	Definition
Lot Size	USD10.00 per Index point
Settlement Currency	USD
Price Quotation	Index points.
Minimum Price Movement	0.01 Index point
Last Submission Date	The Last Submission Date is the Prompt Date.
Trade Submission	Any good LME Business Day up to 17:15 hours on the Last Submission Date.
Prompt Date	The second (2nd) Wednesday of the expiry month, which is a Settlement Business Day. Where such day is not a Settlement Business Day, the relevant provisions of the LME Rules shall apply to determine the valid Prompt Date.
Closing Valuations	LME Closing Price.
Margin Model	Initial Margin and Variation Margin calculated in accordance with the methodology specified in Clearing Procedure Part C.
Settlement Type	Financial – as a difference to the Index Settlement Price on the Prompt Date
Settlement Price	LME Index Settlement Price, (ISP). (Note: ISP is based on Closing Price valuations and not morning Ring closes.)
Currency Settlement	Through Secure Payment System on the next good LME Settlement Business Day after the Prompt Date

2.4 LME Exchange Traded European Options

Note – Until further notice, LME Exchange Traded European Options shall only be tradeable as USD-denominated Contracts. As a result, any references within this Product Specification to non-USD Settlement Currencies, Minimum Strike Price Movements and Minimum Premium Price Movement should be disregarded until such time as non-USD LME Exchange Traded European Option may be made available for trading again.

Individual Metal parameters

Metal	Product ID (Code)	Lot Size
Aluminium Alloy	AA	20 metric tonnes
High Grade Primary Aluminium	AH	25 metric tonnes
North American Special Aluminium Alloy (NASAAC)	NA	20 metric tonnes
Copper Grade A	CA	25 metric tonnes
Primary Nickel	NI	6 metric tonnes
Standard Lead	PB	25 metric tonnes
Tin	SN	5 metric tonnes
Special High Grade Zinc	ZS	25 metric tonnes

Prompt Date Structure

Metal	Monthly
AH, CA	Monthly to sixty-three (63) months
AA, NA, NI, ZS	Monthly to twenty-seven (27) months
PB, SN	Monthly to fifteen (15) months

Common Parameters

Parameter	Definition
Option Type	European, Physically Settling, Premium Up-front
Settlement Currency	EUR, GBP, JPY or USD
Price Quotation	USD per metric tonne.

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Minimum EUR & USD Strike Price Movements for all metals	EUR/USD 25 for strikes from EUR/USD 25 to EUR/USD 9,975 EUR/USD 50 for strikes from EUR/USD 10,000 to EUR/USD 19,950 EUR/USD 100 for all strikes over EUR/USD 20,000
Minimum GBP Strike Price Movements	GBP 25 for strikes for AH, AA, NA & CA GBP 20 for strikes for PB & ZS GBP 50 for strikes for NI & SN
Minimum JPY Strike Price Movements	JPY 10,000 for strikes from JPY 10,000 to JPY 390,000 JPY 20,000 for all strikes over JPY 400,000 For AH, AA, NA, CA & ZS JPY 5,000 for strikes from JPY 5,000 to JPY 245,000 JPY 10,000 for all strikes over JPY 250,000 For PB JPY 20,000 for all strikes over JPY 20,000 For NI & SN
Minimum Premium Price Movement	For trades in EUR, GBP or USD = 0.01 For trades in JPY = 10.
Last Submission Date (the Last Trading Day under the LME Rules)	The Last Submission Date is one (1) good LME Business Day prior to the Expiry Date.
Trade Submission	Any good LME Business Day up to 18:15 hours on the Last Submission Date.
Premium Settlement Date	For trades in EUR, GBP or USD, first (1st) good LME Business Day after the Trade Date. For trades in JPY, second (2nd) good LME Business Day after the Trade Date.
Premium Settlement	Through Secure Payment System.
Closing Valuations	LME Closing Price.
Margin Model	Initial Margin and Variation Margin calculated in accordance with the methodology specified in Clearing Procedure Part C.
Exercise Type	Automatic. Exercise creates between the Member and LME Clear an Open Contract representing an LME Exchange Traded Forward at the Strike Price for Prompt Date on the third (3rd) Wednesday of the month of the Expiry Date of the original Option Contract.
Exercise Reference Price	The Settlement Price for the Metal Option identified as the “Exercise Reference Price” in accordance with the LME Rules.
Expiry Date & Time	The Expiry Time (as defined in the LME Rules) on the LME Business Day that is the first (1st) Wednesday of the month in which the Prompt Date for the underlying LME Exchange Traded Forward falls or, in the case of a postponement by the LME in accordance with the LME Rules, or by LME Clear in accordance with the LME Clear Rules, such other time specified by the LME or LME Clear, as applicable.
Underlying Instrument	The LME Exchange Traded Forward for Prompt Date the third (3rd) Wednesday of the relevant month (being the month in which the option is exercised), subject to the provisions of the LME Rules regarding the determination of valid Prompt Dates.

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2.5 LME Exchange Traded Average Price Options (TAPOs)

Individual Metal parameters

Metal	Product ID (Code)	Lot Size
Aluminium Alloy	AA	20 metric tonnes
High Grade Primary Aluminium	AH	25 metric tonnes
North American Special Aluminium Alloy (NASAAC)	NA	20 metric tonnes
Copper Grade A	CA	25 metric tonnes
Primary Nickel	NI	6 metric tonnes
Standard Lead	PB	25 metric tonnes
Tin	SN	5 metric tonnes
Special High Grade Zinc	ZS	25 metric tonnes

Prompt Date Structure

Metal	Monthly
AH, CA	Monthly to sixty-three (63) months
AA, NA, NI, ZS	Monthly to twenty-seven (27) months
PB, SN	Monthly to fifteen (15) months

Common Parameters

Parameter	Definition
Option Type	European, Physically Settling, Premium Up-front
Settlement Currency	USD
Price Quotation	USD per metric tonne.
Minimum Strike Price Movements	USD 1.00
Minimum Premium Price Movement	USD 0.01
Last Submission Date	The Last Submission Date is one (1) good LME Business Day prior to the Expiry Date.

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Trade Submission	Any good LME Business Day up to 18:15 hours on the Last Submission Date.
Premium Settlement Date	First (1st) good LME Business Day after the Trade Date.
Premium Settlement	Through Secure Payment System.
Closing Valuations	LME Closing Price.
Margin Model	Initial Margin and Variation Margin calculated in accordance with the methodology specified in Clearing Procedure Part C. (Please refer to Rule 6).
Exercise Type	Automatic – all Positions that are USD0.01 or greater in the money when compared to the Option Exercise Reference Price will be exercised automatically by LME Clear at the Expiry Time.
Exercise Reference Price	Monthly Average Settlement Price (MASP).
Expiry Date & Time	15:00 hours on the Declaration Day as defined in the LME Rules.
Underlying Instruments	Pair of LME Exchange Traded Forwards for Prompt Date the second (2nd) good LME Business Day of the month following the month of the Expiry Date. These Forwards are equal and opposite in all respects except one is created at the MASP and one is created at the Strike Price of the original option Position. In the case of an exercised Call Option the Taker will buy the Position from the Granter at the Strike Price and sell the position to the Granter at the MASP. In the case of an exercised Put Option the Taker will sell the Position to the Granter at the Strike Price and buy the Position from the Granter at the MASP.

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2.6 LME Exchange Traded Monthly Average Futures

Individual Metal parameters

Metal	Product ID (Code)	Lot Size
Aluminium Alloy	OL	20 metric tonnes
High Grade Primary Aluminium	OA	25 metric tonnes
North American Special Aluminium Alloy (NASAAC)	OM	20 metric tonnes
Copper Grade A	OC	25 metric tonnes
Primary Nickel	ON	6 metric tonnes
Standard Lead	OP	25 metric tonnes
Tin	OS	5 metric tonnes
Special High Grade Zinc	OZ	25 metric tonnes

Prompt Date Structure

Metal	Monthly
AH, CA	Monthly to sixty-three (63) months
AA, NA, NI, ZS	Monthly to twenty-seven (27) months
PB, SN	Monthly to fifteen (15) months

Common Parameters

Parameter	Definition
Settlement Currency	USD
Price Quotation	USD per metric tonne.
Minimum Price Movement	USD = 0.01
Last Submission Date	The Last Submission Date is the last good LME Business Day of the month that the Contract is due to expire.
Trade Submission	Any good LME Business Day up to 13:30 hours on the Last Submission Date.
Prompt Date	The second (2nd) Business Day of the month following the tradeable month, provided that such day is a Settlement Business Day. Where such day is not a Settlement Business Day, the

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	relevant provisions of the LME Rules shall apply to determine the valid Prompt Date.
Closing Valuations	LME Notional Average Price, (NAP).
Margin Model	Initial Margin and Variation Margin calculated in accordance with the methodology specified in Clearing Procedure Part C.
Settlement Type	Financial – as a difference from the Monthly Average Settlement Price (MASP) for the relevant tradeable month for the relevant underlying metal.
Settlement Price	LME Monthly Average Settlement Price, (MASP).
Currency Settlement	Through Secure Payment System.

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3. LMEPRECIOUS PRODUCTS

3.1 General

(a) The Approved Transaction Platform for all Transactions in LMEprecious Products is LMEsmart.

(b) USD is the nominated Base Currency for LMEprecious Products.

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3.2 LMEprecious Futures

Prompt Date Structure for LMEprecious Futures

Metal	Daily	Monthly (third (3rd) Wednesday)	Calendar Quarterly (third (3rd) Wednesday of the last calendar month of the relevant Calendar Quarter)	Notes
AU, AG	Each Daily Date from T+1 to T+25 (as determined in accordance with the LME Rules)	Each Monthly Date from M1 to either M24 or M25 (as determined in accordance with the LME Rules)	Each of the twelve (12) Quarterly Dates following the Monthly Dates (as determined in accordance with the LME Rules)	The terms T*n*, Daily Date, M*n*, Monthly Date, Calendar Quarter and Quarterly Date shall be as defined in the LME Rules The Prompt Date structure specified in this table is more specifically described in the LME Rules

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(a) **LMEprecious Gold Future**

Parameter	Definition	
Product ID (Code)	AU	
Settlement Currency	USD	
Lot Size	100 fine troy ounces	
Underlying Metal/Contract	Loco London Fine Gold (995.0)	
Price Quotation	USD per fine troy ounce	
Minimum Price Movement	LMEselect $0.100 per fine troy ounce – outright $0.001 per fine troy ounce - Carries	LME Inter-Office Market $0.001 per fine troy ounce – outright or Carries
Last Submission Date	The Last Submission Date is one (1) good LME Business Day prior to the Prompt Date.	
Trade Submission	On a normal good LME Business Day between 01:00 hours - 20:00 hours and the Last Submission Date is one (1) good LME Business Day prior to the Prompt Date between 01:00 hours - 16:00 hours.	
Prompt Date Structure	The Settlement Business Day on which the Contract is to be settled, as specified in the table "Prompt Date Structure for LMEprecious Futures" and the LME Rules.	
Closing Valuations	LMEprecious Daily Settlement Price, as defined and determined in accordance with the LME Rules.	
Margin Model	Initial Margin and Variation Margin calculated in accordance with the methodology specified in Clearing Procedure Part C. Following the determination of the LMEprecious Final Settlement Price for on the Business Day prior to settlement of the Contract, LME Clear shall collect Cash Contingent Variation Margin from the Member to cover the period until the settlement of the Contract actually occurs.	
Settlement Type	Physical	
Settlement Price	LMEprecious Final Settlement Price, as defined and determined in accordance with the LME Rules.	
Metal Settlement	Seller transfers unallocated Gold to LME Clear account at its Precious Metal Clearer, and buyers receive unallocated Gold from LME Clear account at their Precious Metal Clearer	

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(b) **LMEprecious Silver Future**

Parameter	Definition	
Product Code	AG	
Settlement Currency	USD	
Lot Size	5000 troy ounces	
Underlying Metal/Contract	Loco London Fine Silver (999.0)	
Price Quotation	USD per troy ounce	
Minimum Price Movement	LMEselect $0.00500 per troy ounce – outright $0.00001 per troy ounce - carries	LME Inter-Office Market $0.00001 per troy ounce – outright or carries
Last Submission Date	The Last Submission Date is one (1) good LME Business Day prior to the Prompt Date.	
Trade Submission	On a normal good LME Business Day between 01:00 hours - 20:00 hours and the Last Submission Date is one (1) good LME Business Day prior to the Prompt Date between 01:00 hours - 16:00 hours.	
Prompt Date Structure	The Settlement Business Day on which the Contract is to be settled, as specified in the table "Prompt Date Structure for LMEprecious Futures" and the LME Rules.	
Closing Valuations	LMEprecious Daily Settlement Price, as defined and determined in accordance with the LME Rules.	
Margin Model	Initial Margin and Variation Margin calculated in accordance with the methodology specified in Clearing Procedure Part C. Following the determination of the LMEprecious Final Settlement Price for on the Business Day prior to settlement of the Contract, LME Clear shall collect Cash Contingent Variation Margin from the Member to cover the period until the settlement of the Contract actually occurs.	
Settlement Type	Physical	
Settlement Price	LMEprecious Final Settlement Price, as defined and determined in accordance with the LME Rules.	
Metal Settlement	Seller transfers unallocated Silver to LME Clear account at its Precious Metal Clearer, and buyers receive unallocated Silver from LME Clear account at their Precious Metal Clearer	

3.3 **LMEprecious Options**

Individual Precious Metal parameters

Contract	Metal	Underlying LMEprecious Future	Product ID (Code)	Lot Size
LMEprecious Gold Option	Gold	LMEprecious Gold Future	AU	100 fine troy ounces

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LMEprecious Silver Option	Silver	LMEprecious Silver Future	AG	5000 troy ounces

Prompt Date Structure for LMEprecious Options

Metal	Monthly
AU, AG	Monthly to twenty four (24) months, as determined in accordance with the LME Rules

Common Parameters

Parameter	Definition
Option Type	European, Physically Settling, Premium Up-front
Settlement Currency	USD
Price Quotation	USD per troy ounce.
Minimum Strike Price Movements	Gold: $5 per fine troy ounce Silver: $0.25 per troy ounce
Minimum Premium Price Movement	Gold: $0.01 per fine troy ounce Silver: $0.001 per troy ounce
Last Submission Date (the Last Trading Day under the LME Rules)	The Last Submission Date is one (1) good LME Business Day prior to the Expiry Date.
Trade Submission	Any good LME Business Day up to 20:00 hours on the Last Submission Date.
Premium Settlement Date	Prior to 12:00 on the first (1st) good LME Business Day after the trade date.
Premium Settlement	Through Secure Payment System.
Daily closing prices	LMEC pricing model using LME option volatilities as an input.
Margin Model	Initial Margin and Variation Margin calculated in accordance with the methodology specified in Clearing Procedure Part C.
Exercise Type	Automatic. Exercise creates between the Member and LME Clear an Open Contract representing an LMEprecious Future at the Strike Price for Prompt Date on the third Wednesday of the month of the Expiry Date of the original Option Contract.
Exercise Reference Price	The Settlement Price for the LMEprecious Option identified as the "Exercise Reference Price", in accordance with the LME Rules.
Expiry Date & Time	15:02 hours on the LME Business Day falling two (2) good LME Business Days prior to the third (3rd) Wednesday of the month in which the Prompt Date for the underlying LMEprecious Future falls or, in the case of a postponement by the LME in accordance with the LME Rules, such other time specified by the LME.
Underlying Instruments	LMEprecious Future in the same Precious Metal for Prompt Date the third (3rd) Wednesday of the relevant month (being the month in

	which the option is exercised), subject to the provisions of the LME Rules regarding the determination of valid Prompt Dates.

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Eligible Metal

Primary Aluminium (AH);

Grade A Copper (CA);

Lead (PB);

Nickel (NI);

Tin (SN);

Zinc (ZS).

ANNEX 2 – ELIGIBLE CURRENCIES, COLLATERAL AND HAIRCUTS

Details of the eligible currencies, collateral and haircuts are available at the following link:

http://www.lme.com/lme-clear/collateral-management/

ANNEX 3 – FEES AND CHARGES

LME Clear's fees and charges are available at the following link:

https://www.lme.com/Trading/Access-the-market/Fees)

ANNEX 4 – LIST OF AVAILABLE REPORTS

The content of this Annex shall be as set out on the Website:

http://www.lme.com/lme-clear/reports/

ANNEX 5 – MARGIN PARAMETERS

The content of this Annex shall be as set out on the Website.

ANNEX 6 – CLIENT BUSINESS TERMS

Part A

Client Acknowledgement Form

This Client Acknowledgement Form is entered into as an agreement between:

(A): _____ (entity name)

_____ (registered office address)

(the "**Client**")

and

(B): _____ (entity name)

_____ (registered office address)

(the "**Member**")

for the benefit of the Member and LME Clear Limited, a company incorporated in England and Wales (registered number 07611628), whose registered office is at 10 Finsbury Square, London EC2A 1AJ ("**LME Clear**").
Date: _____

1. **BACKGROUND**

1.1 The Member has agreed to clear trades with the Client that are effected on The London Metal Exchange or entered into a matching system operated by The London Metal Exchange. Such trades are subject to clearing by the appointed clearing house for The London Metal Exchange, LME Clear.

1.2 Terms defined in the rulebook of LME Clear (the "**Rules**") shall have the same meaning in this document.

2. **ACKNOWLEDGEMENT**

2.1 In agreeing to the use by the Member of LME Clear for the clearing of trades between the Client and the Member, the Client acknowledges and agrees with the Member (on behalf of itself and any Indirect Client in respect of which any Client Account is to be established by the Member for such Client) that:

(a) in the event that LME Clear issues a Default Notice in respect of the Member, in accordance with Rule 10, LME Clear shall be entitled to act in accordance with its powers in Rule 10 and that:

(i) where the Client has submitted an Automatic Porting Designation Document in accordance with Rule 5 or a Porting Request Notice in accordance with Rule 10, LME Clear may seek to transfer any Open Contract relating to the Client (and any Indirect Client) and any associated Collateral to the Member Transferee nominated by the Client;

(ii) where permitted by Applicable Law and where LME Clear is not prevented from doing so by a court order or legal restriction applying to LME Clear, LME Clear may seek to deliver any surplus amount or Collateral on the Client Account to which the Client has been allocated to the Client subject to and in accordance with Rule 10.5.1(c);

(iii) LME Clear shall be entitled to rely on the information provided by the Member in relation to the Client and the Positions and Collateral relating to such Client;

(iv) LME Clear shall not be obliged to implement, or to act on any request to implement, the provisions of Rule 10.7 in respect of any Client Account the event that:

(1) LME Clear is not in receipt of complete and validly executed Automatic Porting Designation Documents or Porting Request Notices in respect of every Client allocated to the Client Account;

(2) a Member Transferee does not consent to the Transfer within the Porting Election Period in accordance with Rule 10.7;

(3) the Client (or any other Client allocated to that Client Account) is not an Identified Client, unless such Client becomes an Identified Client prior to the end of the Porting Election Period and all other conditions set out in Rule 10.7 and Default Procedure D are satisfied; or

(4) any condition to the Transfer, as set out in Rule 10.7 or Default Procedure D is not satisfied;

(b) the Client has read and understands the provisions applicable to Client Accounts set out in the Rules and Client Accounts set out in the Rules, including in particular Rules 2.1, 2.3, 5, 10.5, 10.7 and 10.8 and Default Procedure D, and acknowledges and agrees that:

(i) the Rules form a contract between the Member and LME Clear;

(ii) the services provided by LME Clear in respect of any Client Account are governed by and subject to the Rules;

(iii) save in relation to the Client Direct Posting Structure, neither the Client nor any Indirect Client have any contractual relationship with LME Clear under the Rules;

(iv) LME Clear has no obligation to act on any instruction or request made by the Client or any Indirect Client and the Client and any Indirect Client have no rights against LME Clear to enforce any provision of the Rules, save in the case of the Client to the extent specified in Rule 2.1.5 and in relation to the Client Direct Posting Structure;

(v) save in relation to the Client Direct Posting Structure, any Collateral held by LME Clear shall be held in accordance with Rule 8 and the Client and any Indirect Client shall have no right to, or interest in, any such Collateral or any right to direct LME Clear to take or refrain from taking any action in relation to such Collateral, save in the case of the Client in the limited circumstances specified in Rule 10.7;

(vi) the provisions and protections of the CASS Rules shall not apply in respect of any monies held in, or recorded to, any Client Account; and

(vii) to the extent that LME Clear has any liability to the Client pursuant to the third party rights granted pursuant to Rule 2.1.5, the limitations on LME Clear's liability as set out in Rule 2.3 and Rule 10.7.14 shall apply to limit any such liability as if all references in such Rules to "the Member" were replaced with "the Client or Indirect Client";

(viii) the Client and any Indirect Client will not, by any act or omission, cause the Member or any other person to breach any Rule;

(c) it is the responsibility of the Client and the Member, and any Indirect Client, to agree the form of Client Account to be established in respect of the Client at LME Clear and LME Clear shall have no responsibility, or liability, to the Client, any Indirect Client, the Member or any third party for the Account structure maintained by the Member with LME Clear;

(d) save to the extent specified in Rules 2.1.5 and 2.3.4, LME Clear shall not be liable for any losses, damages, claims, liabilities, costs or expenses (whether in contract, tort, warranty, strict liability, trust, breach of statutory duty or any other legal theory) arising from or in connection with any actions which LME Clear may take in accordance with its rights and obligations in relation any Client Account in Rule 10; and

(e) it has considered whether or not to require the Member to execute a security agreement governed by English law in favour of LME Clear as its security trustee to facilitate in certain circumstances the procedures described in paragraphs 2.1(a)(i) and (ii) above and, where the Member has agreed (at its request) to execute such a security agreement, it has received a copy of it and agrees with the Member and LME Clear to be bound by its terms.

2.2 Where the Member establishes an Indirect Individual Segregated Client Account, an Indirect Net Omnibus Segregated Client Account, or an Indirect Gross Omnibus Segregated Client Account for the Client in respect of any Indirect Client(s), the Client agrees that it shall, prior to the commencement of any clearing activity through the Clearing System in respect of that indirect Client:

(a) provide a copy of this Client Acknowledgement Form to such Indirect Client(s); and

(b) notify such Indirect Client(s) that by entering into any Transaction that is to be subject to clearing through the Clearing System, such Indirect Client(s) shall irrevocably agree to the terms set out in this Client Acknowledgement Form.

2.3 The Member and the Client agree that, in the event that LME Clear requests a copy of this document from either the Member or the Client, such party shall promptly provide such copy to LME Clear.

2.4 The Member and the Client agree that the acknowledgements and agreements set out in paragraphs 2.1, 2.2 and 2.3 are intended to confer benefits on, and be enforceable by, LME Clear and, accordingly, LME Clear may rely upon and enforce such acknowledgements and agreements in accordance with the Contracts (Rights of Third Parties) Act 1999 (as amended from time to time).

2.5 Notwithstanding paragraph 2.4 above and for the avoidance of doubt, these Client Business Terms are not intended to create any obligations by, or rights against, LME Clear for the benefit of any person (including any Member, Client or Indirect Client), whether in contract, tort or pursuant to any other legal theory.

3. **MANDATORY CCP PROVISIONS APPLICABLE TO THE DIRECT POSTING CLIENTS**

3.1 The Posting Client agrees with the Member that:

(a) the Posting Client has read and understands the provisions applicable to the Client Direct Posting Structure and agrees that it will comply with the Rules, to the extent that they apply to the Posting Client; and

(b) if the Member is required to pay any sum of money to LME Clear as a result of any failure by the Posting Client to comply with this paragraph 3.1, the scope of any indemnity in favour of the Member in the contractual arrangements in place between the Member and the Posting Client that govern the provision of Client Business by the Member to the Posting Client (the "**Client Clearing Agreement**") shall extend to such breach for the benefit of the Member. If there is no such indemnity, the Posting Client shall immediately pay an amount equal to the sum of money the Member is required to pay to LME Clear on demand from the Member.

3.2 The Member agrees with the Posting Client that:

(a) it will put in place a process for notifying the Posting Client of:

(i) any changes to the Rules that relate to the Client Direct Posting Structure; and

(ii) any action (including a suspension of the Member) that would prevent or restrict the Member from performing its role as Member providing Client Business to the Posting Client; and

(b) it will assist the Posting Client to:

(i) deliver Warrant Collateral to LME Clear; and

(ii) receive returns of LME Warrant Collateral from LME Clear, in each case through LMEsword in accordance with the Rules and the LMEsword Regulations and Operating Procedures in accordance with the standard of care provided for in the Client Clearing Agreement.

3.3 Any entitlement of the Member under the Client Clearing Agreement to place restrictions on, or requirements in relation to:

(a) the amount and type of collateral;

(b) any haircuts, multipliers or similar requirements, including an entitlement to value any such collateral at any value, including zero; and

(c) concentration risk or diversification requirements,

in each case, relating to collateral that the Posting Client may deliver to the Member in respect of Transactions, shall apply also to LME Warrants provided by way of collateral under the Client Direct Posting Structure.

3.4 The Member and the Posting Client agree that, subject to paragraph 3.3 above, the value of each LME Warrant delivered by the Posting Client to LME Clear and held by LME Clear as collateral under the Client Direct Posting Structure shall satisfy any demand by the Member to the Posting Client to provide collateral under the Client Clearing Agreement up to the value of the relevant LME Warrant.

3.5 If at any time the Posting Client fails to pay an amount of money due to the Member under the Client Clearing Agreement or any event occurs that would allow the Member to declare an event of default or termination event (howsoever described) under the Client Clearing Agreement, in each case after the expiry of any applicable grace period, the Member shall be entitled to demand that LME Clear pays to the Member any amount due but unpaid from the Posting Client to the Member under the Client Clearing Agreement under Rule 8.11.1 (up to the maximum amount permitted under that rule) and retain that amount for its own account. Any amount so received shall discharge to the same extent the amount due from the Posting Client to the Member under the Client Clearing Agreement.

3.6 If the Member makes a demand under paragraph 3.5 above and receives the amount demanded from LME Clear and either (i) the Member was not entitled to make such demand or (ii) the Member receives an amount that is greater than the amount due from the Posting Client to the Member under the Client Clearing Agreement, then the Member shall immediately following demand from the Posting Client pay to the Posting Client, in the case of (i), the amount so received and, in the case of (ii) the surplus so received.

3.7 If at any time LME Clear makes a claim against the Posting Client under Rule 8.10.1 and enforces its Security Interest created by the Posting Client Security Document over any LME Warrant Collateral provided by the Posting Client as collateral for the Member's obligations to LME Clear, the Member shall immediately following demand from the Posting Client pay to the Posting Client an amount equal to the purchase price incurred by the Posting Client in purchasing replacement LME Warrant Collateral that is as near as practicable equivalent to the LME Warrant Collateral subject to the enforcement of the Security Interest and not returned to the Posting Client (or where and to the extent that the proceeds of such enforcement are not otherwise returned to, or accounted for the benefit of, the Client), together with any additional costs necessarily and directly incurred in connection with such purchase or, if and to the extent that no such replacement purchase is made, an amount equal to the market value of any such LME Warrant Collateral that is not so purchased by the Posting Client or otherwise returned to the Posting Client (or where and to the extent that the proceeds of such enforcement are not otherwise returned to, or accounted for the benefit of, the Client).

4. **GOVERNING LAW**

This form of acknowledgement and any obligations (whether contractual or non-contractual) connected with it are governed by English law.

This form of acknowledgment has been entered into on the date stated at the beginning of this document.

Signed for the Client:	**Signed for the Member:**
_____	_____
(Client Name)	(Member Name)

Annex 6

By: _____	By: _____
(Authorised Signature)	(Authorised Signature)
_____	_____
(Print Name and Title	(Print Name and Title)

Annex 6

PART B
MANDATORY CCP PROVISIONS

This Part B of Annex 6 of the Rules specifies those provisions that are mandatory for inclusion in the terms of Transactions between a Member and their respective Clients. These terms will take precedence over any other provisions in any contractual clearing arrangement between a Member and its Client. A Member that executes a Client Acknowledgement Form in the form prescribed in Part A of this Annex 6 shall not be required to comply with this Part B of this Annex 6.

These Mandatory CCP Provisions will be set out on the Website. A Member may incorporate the Mandatory CCP Provisions into its contractual terms with its Clients either directly or by reference.

1. **Mandatory CCP Provisions Applicable to All Clients**

1.1 In agreeing to the use by the Member of LME Clear for the clearing of trades between the Client and the Member, the Client acknowledges and agrees with the Member (on behalf of itself and any Indirect Client in respect of which any Client Account is to be established by the Member for such Client) that:

(a) in the event that LME Clear issues a Default Notice in respect of the Member, in accordance with Rule 10, LME Clear shall be entitled to act in accordance with its powers in Rule 10 and that:

(i) where the Client has submitted an Automatic Porting Designation Document in accordance with Rule 5 or a Porting Request Notice in accordance with Rule 10, LME Clear may seek to transfer any Open Contract relating to the Client (and any Indirect Client) and any associated Collateral to the Member Transferee nominated by the Client;

(ii) where permitted by Applicable Law and where LME Clear is not prevented from doing so by a court order or legal restriction applying to LME Clear, LME Clear may seek to deliver any surplus amount or Collateral on the Client Account to which the Client has been allocated to the Client subject to and in accordance with Rule 10.5.1(c);

(iii) LME Clear shall be entitled to rely on the information provided by the Member in relation to the Client and the Positions and Collateral relating to such Client;

(iv) LME Clear shall not be obliged to implement, or to act on any request to implement, the provisions of Rule 10.7 in respect of any Client Account in the event that:

(1) LME Clear is not in receipt of complete and validly executed Automatic Porting Designation Documents or Porting Request Notices in respect of every Client allocated to the Client Account;

(2) a Member Transferee does not consent to the Transfer within the Porting Election Period in accordance with Rule 10.7;

(3) the Client (or any other Client allocated to that Client Account) is not an Identified Client, unless such Client becomes an Identified Client prior to the end of the Porting Election Period and all other conditions set out in Rule 10.7 and Default Procedure D are satisfied; or

(4) any condition to the Transfer, as set out in Rule 10.7 or Default Procedure D is not satisfied;

(b) the Client has read and understands the provisions applicable to Client Accounts set out in the Rulebook, including in particular Rules 2.1, 2.3, 5, 10.5, 10.7 and 10.8 and Default Procedure D, and acknowledges and agrees that:

(i) the Rules form a contract between the Member and LME Clear;

(ii) the services provided by LME Clear in respect of any Client Account are governed by and subject to the Rules;

(iii) save in relation to the Client Direct Posting Structure, neither the Client nor any Indirect Client have any contractual relationship with LME Clear under the Rules;

(iv) LME Clear has no obligation to act on any instruction or request made by the Client or any Indirect Client and the Client and any Indirect Client have no rights against LME Clear to enforce any provision of the Rules, save in the case of the Client to the extent specified in Rule 2.1.5 and in relation to the Client Direct Posting Structure;

(v) save in relation to the Client Direct Posting Structure, any Collateral held by LME Clear shall be held in accordance with Rule 8 and the Client and any Indirect Client shall have no right to, or interest in, any such Collateral or any right to direct LME Clear to take or refrain from taking any action in relation to such Collateral, save in the case of the Client in the limited circumstances specified in Rule 10.7;

(vi) the provisions and protections of the CASS Rules shall not apply in respect of any monies held in, or recorded to, any Client Account;

(vii) to the extent that LME Clear has any liability to the Client pursuant to the third party rights granted pursuant to Rule 2.1.5, the limitations on LME Clear's liability as set out in Rule 2.3 and Rule 10.7.14 shall apply to limit any such liability as if all references in such Rules to "the Member" were replaced with "the Client or Indirect Client"; and

(viii) the Client and any Indirect Client will not, by any act or omission, cause the Member or any other person to breach any Rule;

(c) it is the responsibility of the Client and the Member, and any Indirect Client, to agree the form of Client Account to be established in respect of the Client at LME Clear and LME Clear shall have no responsibility, or liability, to the Client, any Indirect Client, the Member or any third party for the Account structure maintained by the Member with LME Clear;

(d) save to the extent specified in Rules 2.1.5 and 2.3.4, LME Clear shall not be liable for any losses, damages, claims, liabilities, costs or expenses (whether in contract, tort, warranty, strict liability, trust, breach of statutory duty or any other legal theory) arising from or in connection with any actions which LME Clear may take in accordance with its rights and obligations in relation to any Client Account in Rule 10; and

(e) it has considered whether or not to require the Member to execute a security agreement governed by English law in favour of LME Clear as its security trustee

to facilitate in certain circumstances the procedures described in paragraphs 1.1(a)(i) and (ii) above and, where the Member has agreed (at its request) to execute such a security agreement, it has received a copy of it and agrees with the Member and LME Clear to be bound by its terms.

1.2 Where the Member establishes an Indirect Individual Segregated Client Account, an Indirect Net Omnibus Segregated Client Account, or an Indirect Gross Omnibus Segregated Client Account for the Client in respect of any Indirect Client(s), the Client agrees that it shall, prior to the commencement of any clearing activity through the Clearing System in respect of that indirect Client:

(a) provide a copy of either these Mandatory CCP Provisions or the Client Acknowledgement Form (as applicable) to such Indirect Client(s); and

(b) notify such Indirect Client(s) that by entering into any Transaction that is to be subject to clearing through the Clearing System, such Indirect Client(s) shall irrevocably agree to the terms set out in these Mandatory CCP Provisions or the Client Acknowledgement Form (as applicable).

1.3 The Member and the Client agree that, in the event that LME Clear requests from either the Member or the Client or evidence, satisfactory to LME Clear that the Member and the Client have agreed to be bound by these Mandatory CCP Provisions, such party shall promptly provide such evidence to LME Clear.

1.4 The Member and the Client agree that the acknowledgements and agreements set out in paragraphs 1.1, 1.2 and 1.3 are intended to confer benefits on, and be enforceable by, LME Clear and, accordingly, LME Clear may rely upon and enforce such acknowledgements and agreements in accordance with the Contracts (Rights of Third Parties) Act 1999 (as amended from time to time).

1.5 Notwithstanding paragraph 1.4 above and for the avoidance of doubt, these Mandatory CCP Provisions are not intended to create any obligations by, or rights against, LME Clear for the benefit of any person (including any Member, Client or Indirect Client), whether in contract, tort, warranty, strict liability, trust, breach of statutory duty or to any other legal theory.

1.6 These Mandatory CCP Provisions and any obligations (whether contractual or non-contractual) connected with it are governed by English law.

2. MANDATORY CCP PROVISIONS APPLICABLE TO THE DIRECT POSTING CLIENTS

2.1 The Posting Client agrees with the Member that:

(a) the Posting Client has read and understands the provisions applicable to the Client Direct Posting Structure and agrees that it will comply with the Rules, to the extent that they apply to the Posting Client; and

(b) if the Member is required to pay any sum of money to LME Clear as a result of any failure by the Posting Client to comply with this paragraph 2.1, the scope of any indemnity in favour of the Member in the contractual arrangements in place between the Member and the Posting Client that govern the provision of Client Business by the Member to the Posting Client (the "**Client Clearing Agreement**") shall extend to such breach for the benefit of the Member. If there is no such indemnity, the Posting Client shall immediately pay an amount equal to the sum of money the Member is required to pay to LME Clear on demand from the Member.

2.2 The Member agrees with the Posting Client that:

(a) it will put in place a process for notifying the Posting Client of:

(i) any changes to the Rules that relate to the Client Direct Posting Structure; and

(ii) any action (including a suspension of the Member) that would prevent or restrict the Member from performing its role as Member providing Client Business to the Posting Client; and

(b) it will assist the Posting Client to:

(i) deliver LME Warrant Collateral to LME Clear; and

(ii) receive returns of LME Warrant Collateral from LME Clear, in each case through LMEsword in accordance with the Rules and the LMEsword Regulations and Operating Procedures in accordance with the standard of care provided for in the Client Clearing Agreement.

2.3 Any entitlement of the Member under the Client Clearing Agreement to place restrictions on, or requirements in relation to:

(a) the amount and type of collateral;

(b) any haircuts, multipliers or similar requirements, including an entitlement to value any such collateral at any value, including zero; and

(c) concentration risk or diversification requirements,

in each case, relating to collateral that the Posting Client may deliver to the Member in respect of Transactions, shall apply also to LME Warrant Collateral provided by way of collateral under the Client Direct Posting Structure.

2.4 The Member and the Posting Client agree that, subject to paragraph 2.3 above, the value of LME Warrant Collateral delivered by the Posting Client to LME Clear and held by LME Clear as collateral under the Client Direct Posting Structure shall satisfy any demand by the Member to the Posting Client to provide collateral under the Client Clearing Agreement up to the value of the relevant LME Warrant Collateral.

2.5 If at any time the Posting Client fails to pay an amount of money due to the Member under the Client Clearing Agreement or any event occurs that would allow the Member to declare an event of default or termination event (howsoever described) under the Client Clearing Agreement, in each case after the expiry of any applicable grace period, the Member shall be entitled to demand that LME Clear pays to the Member any amount due but unpaid from the Posting Client to the Member under the Client Clearing Agreement under Rule 8.11.1 (up to the maximum amount permitted under that rule) and retain that amount for its own account. Any amount so received shall discharge to the same extent the amount due from the Posting Client to the Member under the Client Clearing Agreement.

2.6 If the Member makes a demand under paragraph 2.5 above and receives the amount demanded from LME Clear and either (i) the Member was not entitled to make such demand or (ii) the Member receives an amount that is greater than the amount due from the Posting Client to the Member under the Client Clearing Agreement, then the Member shall immediately following demand from the Posting Client pay to the Posting Client, in the case of (i), the amount so received and, in the case of (ii) the surplus so received.

2.7 If at any time LME Clear makes a claim against the Posting Client under Rule 8.10.1 and enforces its Security Interest created by the Posting Client Security Document over any LME Warrant Collateral provided by the Posting Client as collateral for the Member's obligations to LME Clear, the Member shall immediately following demand from the Posting Client pay to the Posting Client an amount equal to the purchase price incurred by the Posting Client in purchasing replacement LME Warrant Collateral that is as near as practicable equivalent to the LME Warrant Collateral subject to the enforcement of the Security Interest and not returned to the Posting Client (or where and to the extent that the proceeds of such enforcement are not otherwise returned to, or accounted for the benefit of, the Client), together with any additional costs necessarily and directly incurred in connection with such purchase or, if and to the extent that no such replacement purchase is made, an amount equal to the market value of any such LME Warrant Collateral that is not so purchased by the Posting Client or otherwise returned to the Posting Client (or where and to the extent that the proceeds of such enforcement are not otherwise returned to, or accounted for the benefit of, the Client).

3. EXPLANATION OF RULES REFERENCED IN PARAGRAPH 1.1(B)

Set out below is a brief summary of the general content of the Rules listed in paragraph 1.1(b) above as being particularly relevant to Clients. Each Member, Client and Indirect Client should read the actual text of these Rules in order to understand the basis on which they are intended to operate.

Rule	Description
2.1 (*Rules as a Binding Agreement*)	Sets out the basis on which the Rules create rights and obligations between LME Clear and the Member. Sets out the limited basis on which the Client may benefit from rights under the Rules.
2.3 (*Liability and Indemnity*)	Sets out the limitations of LME Clear's liability to its Members in respect of any matter governed by the Rules, including in relation to the clearing of business for Clients of Members.
5 (*Client Business and Portability Arrangements*)	Sets out the basis on which Members may establish and maintain Client Accounts in respect of its Clients and the arrangements to be established in respect of such Client Accounts in order to support the Porting Process.
10.5 (*Treatment of Different Types of Account*)	Sets out the basis on which different types of Account will be treated in the event of a Member becoming a Defaulting Member, including the basis on which LME Clear may return any surplus amount or Collateral standing to the credit of a Client Account directly to the Client(s) allocated to that Account.
10.7 (*Portability of Client Accounts*)	Sets out the basis on which LME Clear will exercise its powers to transfer the Positions and Collateral allocated to a Client Account to a Member Transferee in the event that the original Member becomes a Defaulting Member.
10.8 (*Final Settlement of Unported Client Accounts*)	Sets out the basis on which LME Clear will determine a final net sum in respect of a Client Account following the application of the default management process to that Client Account.

Annex 6

Default Procedure D (*Porting Procedure*)	Sets out the documentary requirements for the establishment of arrangements in support of the Automatic Porting Process, together with the basis on which LME Clear will apply the Porting Process to Client Accounts.

Annex 7

ANNEX 7 – DELIVERY TIMETABLES

The content of this Annex shall be as set out on the Website.

ANNEX 8 – AUCTION PROCESS

1. INTRODUCTION

1.1 This Annex is supplementary to the auction process requirements specified in Default Procedure C:6.3 (*Auction for LME Base Products and LMEprecious Products*) and forms part of the procedures referred to in Default Procedure C:6.3(b).

1.2 Members must comply with the requirements specified in this Annex where LME Clear conducts an auction in accordance with Default Procedure C:6.3.

2. TIMESCALES FOR EVALUATION OF AUCTION PORTFOLIO AND SUBMISSION OF BIDS

2.1 Prior to the auction of an Auction Portfolio, LME Clear shall Notify non-defaulting Members of:

(a) the timescales within which non-defaulting Members should evaluate the Auction Portfolio; and

(b) the deadline(s) by which any bids should be submitted to LME Clear.

LME Clear will aim to provide such Notification on the Business Day prior to the auction, but reserves the right to provide such Notification at a different time where LME Clear determines such timing to be appropriate or necessary to increase the likelihood of achieving a successful auction.

2.2 LME Clear may, at any time prior to expiry of the relevant timescales or deadlines specified pursuant to paragraph 2.1 above, extend such timescales or deadlines, by issuing a Notice specifying the details of such extension.

3. ACCEPTABLE AUCTION PRICE

3.1 When determining the acceptable auction price for the purposes of Default Procedure Part C:6.5(c), LME Clear may consider the following factors:

(a) the size of the Auction Portfolio relative to the market;

(b) the current mark-to-market; and

(c) the likely risk premium required by an auction participant.

4. STATUS OF SUBMITTED BIDS

Any bid submitted to LME Clear by a non-defaulting Member shall be binding on the Member until the winner of the auction is declared by LME Clear, such that:

(a) the final bid submitted within the time period specified in the Notice referred to in paragraph 2.1 above shall be binding on the Member and cannot be revoked; and

(b) in the event that the bid is the successful and is accepted by LME Clear, the Member must pay to LME Clear the price specified in the bid, in exchange for receipt of the

Auction Portfolio (and, where appropriate, any associated Collateral in accordance with Default Procedure C:6.3(b)).

5. **PROCESS FOR SUBMITTING BIDS**

All bids in respect of an Auction Portfolio must be submitted in accordance with the process specified in the Notice relating to the Auction Portfolio (being the Notice issued pursuant to paragraph 2.1 above). In the ordinary course of events, non-defaulting Members will be required to submit bids via the LMEmercury GUI.

6. **BIDS THAT ARE NOT RECEIVED**

In the event that LME Clear does not receive a bid from a non-defaulting Member, including where a non-defaulting Member has attempted to submit a bid but such bid is either not received by, or accessible by, LME Clear personnel (whether due to any technological error, outage or incapacity, or otherwise):

(a) LME Clear shall have no responsibility for, shall not be treated as having received, and shall have no obligation to subsequently receive, any such bid; and

(b) the non-defaulting Member shall be treated as not having submitted a bid (including, where applicable, for the purposes of the application of the juniorisation principles in Default Procedure C:6.6).

7. **AUTHORISATION FOR BIDS**

7.1 Any bid submitted by a non-defaulting Member must be submitted to LME Clear by:

(a) an Authorised Representative of such Member, using that Authorised Member's own user login to the LMEmercury GUI; or

(b) any other representative of the Member who is authorised to submit bids on behalf of the Member, using that individual's own user login to the LMEmercury GUI.

7.2 Following any bid submitted pursuant to paragraph 7.1 above LME Clear will liaise with an Authorised Representative of the Member in respect of any bid submitted via the LMEmercury GUI, unless LME Clear has been notified by an Authorised Representative of the name and contact details of any other persons that the Member has authorised to liaise with LME Clear in respect of such bid.

7.3 LME Clear shall be entitled to assume that any person who enters a bid via LMEmercury pursuant to paragraph 7.1 above, or who is notified to LME pursuant to paragraph 7.2 above shall be fully authorised by the Member to take represent the Member in respect of any matter relevant to the bid and the auction of the Auction Portfolio, including by taking binding decisions on behalf of the Member.

7.4 LME Clear shall be under no obligation to accept or treat as valid any bid that is purported to be submitted by a Member that does not comply with paragraph 7.1 above.

8. **COMMUNICATIONS IN RESPECT OF SUBMITTED BIDS**

8.1 LME Clear shall communicate with Members in respect of the auction of an Auction Portfolio by issuing Notices (which can include, for the avoidance of doubt, bilateral email communication where LME Clear considers appropriate).

8.2 In the event that LME Clear wishes to seek clarification from a Member of any matter relating to a bid submitted by such Member, LME Clear may contact an Authorised

Representative of the Member or an alternative authorised individual using such contact details as the Member shall have specified in advance pursuant to paragraph 7.2.

8.3 Notwithstanding paragraphs 8.2 above, LME Clear shall have no obligation to contact any Member to seek clarification of any matter relating to a bid submitted by such Member.

9. **SPECIFICATION OF ENTRY CRITERIA**

When assessing a non-defaulting Member's satisfaction of the entry criteria for an auction, pursuant to Default Procedure C:6.4(b):

9.1 LME Clear shall assess a non-defaulting Member's creditworthiness for the purposes of Default Procedure C:6.4(b)(i) by reference to the minimum credit rating that LME Clear would require an applicant for Membership to satisfy in order to conduct the same types of business and to participate in the same Services as are conducted by, and participated in, by the non-defaulting Member;

9.2 In respect of the LMEprecious Service, LME Clear does not currently apply any criteria regarding the non-defaulting Member's history of Positions, for the purposes of Default Procedure C:6.4(b)(iii) and, accordingly, no such criteria will be applied so as to justify any exclusion from participation in an auction pursuant to Default Procedure C:6.4(c); and

9.3 In respect of the LME Base Service, the criteria for the purposes of Default Procedure C:6.4(b)(iii) is that the relevant non-defaulting Member has held a Position in respect of all Underlying Assets represented in the relevant Auction Portfolio within the 6 months immediately preceding the commencement of the relevant Default Period.

10. **BIDDERS FROM THE SAME GROUP**

10.1 In the event that two or more non-defaulting Members:

(a) are each required to submit a bid in accordance with Default Procedure C:6.4(~~d~~a); and

(b) are members of the same Group,

then such Members must submit identical bids and, in the event that such bids are successful:

(i) such Members must have determined among themselves which such Member shall be treated as the successful bidder that shall be required to pay for, and accept the Auction Portfolio;

(ii) (where there are two such Members within the same Group), the other Member shall be treated as the non-successful bidder that was closest to the successful bid for the purposes of the application of the juniorisation principles in Default Procedure C:6.6(b);

(iii) such Members must notify LME Clear of their agreed determination of the basis on which a successful bid should be allocated in accordance with paragraphs (i) and (ii) above;

(iv) where such Members fail to provide the notification required pursuant to paragraph (iii) above, LME Clear may determine how the successful bid should be allocated between such Members.

10.2 Where paragraph 10.1(a) and (b) apply, such non-defaulting Members may agree that one such Member shall submit a single bid to LME Clear through the LMEmercury GUI and that such bid will represent identical bids on behalf of all such non-defaulting Members. Where such Members so agree:

(a) in order for a single bid to represent identical bids on behalf of all such non-defaulting Members, an Authorised Representative of each such Member must have notified LME Clear prior to closure of the auction of their intention to be represented by a single bid and indicating:

(i) which Member's bid should be taken to represent identical bids on behalf of all such non-defaulting Members' bids; and

(ii) the name and contact details of the authorised individual (in accordance with paragraph 7.2 above) to which communications may be sent by LME Clear in respect of such bid; and

(iii) the information specified in paragraph 10.1(iii)

(b) any such bid made by one such Member will be deemed to be effective to communicate the identical bids of all such Members, and shall be deemed to constitute a fully authorised and binding bid on behalf of each such Member;

(c) LME Clear shall be entitled to treat any communications in respect of such bid, between LME Clear and the individual specified in (a)(ii) above, as being effective to communicate with the duly authorised representative of each such Member, including for the purposes of paragraph 7 above; and

(d) for the avoidance of doubt, the notice provided to LME Clear pursuant to paragraph 10.2(a) must include the information specified in paragraph 10.1(iii) above (failing which LME Clear may apply paragraph 10.1(iv) above).

11. EXCLUSION FROM PARTICIPATION

11.1 Without limitation to LME Clear's discretion pursuant to Default Procedure C:6.4(c), LME Clear may determine that a non-defaulting Member should be excluded from being required to participate in an auction on the grounds that it does not have the operational capability or expertise to participate in the auction where such Member is able to demonstrate, to the satisfaction of LME Clear that:

(a) such Member or a related entity does not have the capability to manage its own Positions, as may be evidenced by the fact that it does not meet any of the following criteria:

(i) such Member regularly holds Positions in its House Account overnight in Eligible Products with the same Underlying Asset as the Eligible Products included in the Auction Portfolio;

(ii) such Member has, as a Client, a member of its Group which regularly holds open Positions overnight in Eligible Products with the same Underlying Asset as the Eligible Products included in the Auction Portfolio; or

(iii) such Member regularly holds Positions in any Client Account overnight in Eligible Products with the same Underlying Asset as the Eligible Products included in the Auction Portfolio which, in the event of the default of a Client allocated to such Client Account, would result in the Member needing to liquidate such Positions; or

(b) such Member is prevented by any Applicable Law binding on the Member from either participating in the auction or accepting the Auction Portfolio, or such participation or acceptance would constitute a breach by the Member of any Applicable Law binding on the Member (including for the avoidance of doubt, where a Member does not have the regulatory status which would permit it to participate or accept an Auction Portfolio under Applicable Law).

11.2 Any request by a Member for an exclusion from participation from an auction pursuant to Default Procedure C:6.4(c) must:

(a) clearly articulate in writing the grounds on which the Member considers that it should be excluded from the auction, which grounds must be based on one or more of the criteria specified in paragraph 11.1 above;

(b) be signed by an Authorised Representative of the Member;

(c) include supporting evidence to demonstrate that to LME Clear's satisfaction that the grounds for granting the exclusion are justified; and

(d) (where such request is based on the grounds specified in paragraph 11.1(b) above), be accompanied by a reasoned legal opinion demonstrating, to LME Clear's satisfaction, the basis on which such grounds are justified. LME Clear reserves the right to require that such legal opinion be provided by a reputable law firm with demonstrable expertise in the relevant field of law or regulation for the jurisdiction in which the legal or regulatory grounds are alleged to pertain. LME Clear may refuse to accept a legal opinion provided pursuant to this paragraph (d) in the event that LME Clear, in its absolute discretion, is not satisfied that the lawyer or law firm that has prepared the opinion has appropriate expertise in the relevant jurisdiction and/or field of law or regulation, or where LME Clear, in its absolute discretion, disagrees with the conclusions set out in the legal opinion.

11.3 LME Clear will exercise its discretion in Default Procedure Part C 6.4(d) to exclude a Member from the requirement to bid during a Default Period taking into account the following factors:

(a) the size of the Auction Portfolio; and/or

(b) whether the transfer of any Auction Portfolio to that Member would be in excess of LME Clear's risk tolerance for that Member.

11.4 LME Clear shall notify any Members excluded during the Default Period that they are no longer Mandatory Bidders prior to the disclosure of the Auction Portfolio. Such Members may still elect to become Voluntary Bidders in accordance with Default Procedure Part C 6.4(e) and the contents of the Auction Portfolio will then be disclosed to them in accordance with Default Procedure Part C 6.4(f) (however, Members should bear in mind that LME Clear may then exercise its discretion under Default Procedure Part C 6.4(d).

ANNEX 9 – ACCOUNT TRANSFER PROCESS

1. TYPES OF ACCOUNT TRANSFER

1.1 Inter-Member Transfer

A request for an Inter-Member Transfer may, without limitation, include a request in circumstances where the Requesting Member Transferor is:

(a) transferring its responsibilities for the clearing of Positions for one or more Clients to a Requesting Member Transferee; and/or

(b) withdrawing from Membership or terminating its participation in a Service and becoming a Client of a Requesting Member Transferee.

1.2 Inter-Account Transfer

A request for an Inter-Account Transfer may, without limitation, include a request in circumstances where the Origination Account is a Client Account and:

(a) a Client's Positions are to be transferred to another Client Account maintained by the Requesting Member in respect of such Client; or

(b) an Indirect Client intends to transfer its Indirect Clearing Arrangement from one Clearing Client of the Requesting Member to another Clearing Client of the Member, such that the Indirect Client's Positions are to be transferred:

(i) from a Client Account of the Member allocated to the transferor Clearing Client;

(ii) to a Client Account of the Member allocated to the transferee Clearing Client; or

(c) a Client intends to become an Indirect Client of another Client of the Requesting Member, such that the first Client's Positions are to be transferred:

(i) from the Client Account of the Member allocated to the first Client;

(ii) to a Client Account of the Member allocated to the transferee Client that is allocable to one or more Indirect Clients, including the first Client); or

(d) an Indirect Client intends to become a Client of the Member, such that the Indirect Client's Positions are to be transferred:

(i) from the Client Account of the Requesting Member allocated to a Client that is allocable to one or more Indirect Clients, including the transferring Indirect Client;

(ii) to a Client Account of the Requesting Member allocated to the transferring Indirect Client, as a Client of the Member.

1.3 Other Types of Transfer

For the avoidance of doubt, paragraphs 1.1 and 1.2 are examples of the types of Account Transfer that a Member may request. Nothing in Rule 6.13 or this Annex 9 shall prevent LME Clear from considering and/or giving effect to a request for an Account Transfer in circumstances other than those described in paragraphs 1.1 and 1.2 above.

2. **PROCEDURAL REQUIREMENTS FOR ACCOUNT TRANSFERS**

2.1 In respect of any Account Transfer:

(a) the Requesting Member(s) shall, upon submission to LME Clear of the Transfer Request Notice, be deemed to have made the statements and representations, and provided such confirmations, as are set out in Rule 6.13 and this Annex 9;

(c) the transfer will occur at the time and on the date agreed between LME Clear and the Requesting Member(s) and notified by LME Clear to the Requesting Member(s);

(d) only those Open Contracts and, where applicable, Collateral which are allocated to the Origination Account(s), detailed in the Transfer Request Notice, at such time will be capable of being transferred by LME Clear to the Destination Account(s);

(e) the transfer of the Open Contracts and, where applicable, Collateral and (where relevant) Default Fund Contribution shall be deemed to occur simultaneously and the transfer of each shall be conditioned on the transfer of the others; and

(g) the Requesting Member(s) hereby agree to sign any document and take any step which LME Clear may require at any time to give effect to any provision of Rule 6.13 and/or this Annex 9.

2.2 In respect of any Inter-Member Transfer, in addition to the requirements in paragraph 2.1 above:

(a) where a Default Fund Contribution is being transferred, and notwithstanding Rule 3.6.5, the effective date of termination of the Requesting Member Transferor's Membership will be as agreed between LME Clear and the Requesting Member Transferor in order to facilitate the transfer of the Default Fund Contribution to the Member transferee. Such date shall be the Termination Date for the purposes of the Rules. This provision shall constitute a waiver for the purposes of Rule 2.11.1 of any rights LME Clear would otherwise have had to insist that the Termination Date shall be determined in accordance with Rule 3.6.5; and

(b) if the transfer of the Open Contracts and, where applicable, Collateral and Default Fund Contribution by LME Clear is not fully effective or completed for any reason, LME Clear may give a notice to the Requesting Member Transferor and Requesting Member Transferee, whereupon (i) any transferring rights and obligations that have transferred shall be deemed not to have transferred (and if necessary be deemed to have been novated back to the Requesting Member Transferor) and (ii) non-cash Collateral shall be returned by a deemed application of the provisions (including the Release Clause, the Conveyance Clause and the Re-Pledge Clause) which relate to non-cash Collateral (with the identity of the Requesting Member Transferor and the Requesting Member Transferee being switched for the purposes of those provisions).

3. **CONFIRMATIONS BY REQUESTING MEMBERS FOR ALL ACCOUNT TRANSFERS**

Where a Requesting Member signs and submits (or, in the case of the Requesting Member Transferee for an Inter-Member Transfer permits the Requesting Member Transferor to submit) to LME Clear a Transfer Request Notice for an Account Transfer, such Requesting Member shall hereby be deemed, for the benefit of LME Clear, to:

(a) acknowledge and agree that the transfer is subject to the Rules including, but not limited to, the provisions of Rules 2.3, Rule 6.13 and this Annex 9 and to comply with such provisions;

(b) (where the Member is the Requesting Member Transferee under an Inter-Member Transfer), accept the transfer to it by way of novation of the transferring rights and obligations;

(c) represent and warrant to LME Clear that:

(i) it has taken or will take all necessary steps (in relation to itself or as between itself and any other Requesting Member) to ensure that the transfer is effective under Applicable Law;

(ii) all conditions applicable to such Account Transfer in Rule 6.13 and this Annex 9 shall be satisfied;

(iii) (where the transfer relates to Client Business) it has complied with, and shall continue to comply, with the requirements of Rule 6.13.8 (*Requesting Member Responsibility for Clients and Indirect Clients*);

(d) acknowledge and agree that the transfer (and any associated assignment and conveyance) will be effected by LME Clear in accordance with the Transfer Request Notice, Rule 6.13 and this Annex 9 (notwithstanding, in the case of an Inter-Member Transfer, the terms of any other agreement between the Requesting Members); and

(e) authorise and instruct LME Clear to make and, where necessary, to cause any securities intermediary or other person to make, all appropriate entries and registrations and to take all other actions to effect the transfers contemplated by such Transfer Request Notice.

4. **ADDITIONAL REQUIREMENTS FOR INTER-MEMBER TRANSFERS**

4.1 **Additional Conditions**

The Transfer-Specific Conditions for an Inter-Member Transfer are that:

(a) where the transfer is allocated to a Client Account and the Clients will become Clients of the Requesting Member Transferee:

(i) the transfer is reflected in a Client Account of the Requesting Member Transferee that is allocated to the same Client(s); and

(ii) there is no change to the identity of the Client(s) to which the relevant Contracts are allocated;

(b) where the transfer is allocated to a Client Account and the Requesting Member Transferor will become the Client of the Requesting Member Transferee:

(i) the transfer is reflected in a Client Account of the Requesting Member Transferee that is allocated to the Requesting Member Transferor as Client of the Requesting Member Transferor; and

(ii) there is no change to the identity of the Client(s) to which the relevant Contracts are allocated, save that such Client(s) may be regarded as Indirect Clients of the Requesting Member Transferee, subject to the selection of the appropriate type of Client Account by the Requesting Members;

(c) where the transfer is allocated to a House Account of the Requesting Member Transferor and the Requesting Member Transferor will become the Client of the Requesting Member Transferee, the transfer is reflected in a Client Account of the Requesting Member Transferee that is allocated to the Requesting Member Transferor as Client of the Requesting Member Transferee;

(d) both Requesting Members consent to such transfer;

(e) the Requesting Member Transferee is a non-defaulting Member; and

(f) where the Transfer Request Notice includes a request for a transfer of Collateral, immediately prior to the transfer of an Open Contract, no LME Warrant Collateral is associated with the transferring Contracts.

4.2 **Collateral Transfers: Confirmations by Requesting Member Transferor**

Where a Transfer Request Notice for an Inter-Member Transfer involves a transfer relating to any Collateral and/or any Default Fund Contribution:

(a) the Requesting Member Transferor shall hereby be deemed to:

(i) request that LME Clear transfers by way of novation all rights, liabilities and obligations of the Member transferor in the:

(1) Open Contracts and associated Positions;

(2) DCVM and/or CCVM;

(3) Cash Collateral;

(4) Gold Collateral; and

(5) Default Fund Contribution,

described in the Transfer Request Notice (the "**transferring rights and obligations**") to the Requesting Member Transferee that is the transferee named in such Transfer Request Notice;

(b) in relation to any Securities Collateral or Gold Collateral (detailed in the Transfer Request Notice) and with effect on LME Clear recording the transfer in its records, LME Clear shall be deemed to have released all its Security Interests in and in relation to the relevant Securities Collateral and Gold Collateral granted by the Requesting Member Transferor (this provision being the "**Release Clause**");

(c) in relation to any such Collateral, the Requesting Member Transferor shall hereby be deemed to confirm and represent to LME Clear that:

(i) with effect on LME Clear recording the transfer in its records, assigns by way of sale, transfers and conveys all right, title and interest of the Member Transferor in and to such Collateral (including, but not limited to, any beneficial interest and/or equity/right of redemption in respect thereof) (the "**non-cash Collateral rights**") to the Requesting Member Transferee free of any security, encumbrances, liens, security interests or other claims of any kind held by any person;

(ii) acknowledges and agrees that such Collateral shall immediately upon such assignment, transfer and conveyance be held by LME Clear solely on behalf of or in respect of (as applicable) the Requesting Member Transferee; and

(iii) for the avoidance of doubt, acknowledges and agrees that immediately upon such assignment, transfer and conveyance it shall have no right or entitlement to assert any claim over, or right, title or interest in or to, such Collateral,

(this provision being the "**Conveyance Clause**"); and

(d) in the event that:

(i) the Transfer Request Notice includes a request for a transfer of Open Contracts together with associated Collateral; and

(ii) any of the Collateral associated with such Open Contracts is LME Warrant Collateral,

then the Requesting Member Transferor must, prior to the submission of the Transfer Request Notice, substitute Cash Collateral, Securities Collateral or Gold Collateral for such LME Warrant Collateral and specify such substituted Collateral in the Transfer Request Notice submitted to LME Clear.

4.3 **Collateral Transfers: Confirmations by Requesting Member Transferee**

Where a Transfer Request Notice for an Inter-Member Transfer involves a transfer relating to any Collateral then, in relation to any Securities Collateral or Gold Collateral (each as detailed in the Transfer Request Notice), the Requesting Member Transferee shall hereby be deemed to:

(a) accept the assignment, transfer and conveyance to it of the Requesting Member Transferor's right, title and interest in and to such Collateral;

(b) acknowledge and agree that such Collateral shall immediately upon such assignment, transfer and conveyance be held by LME Clear solely on behalf of or in respect of (as applicable) the Requesting Member Transferee; and

(c) acknowledge and agree that, immediately upon such assignment, transfer and conveyance, all of the Requesting Member Transferee's right, title and interest in and to such Collateral will be subject to LME Clear's Security Interests under any relevant Security Documents entered into between the Requesting Member Transferee and LME Clear and shall otherwise be subject to the terms and conditions of all such Security Documents,

(this provision being the "**Re-Pledge Clause**")

Version	Summary	Version date
1.0	First published Version	7 August 2014
1.1	Minor changes to remove square brackets, delete references to OTC LOCO London Bullion Market Products prices and matching venue and clarify not an Eligible Product	19 September 2014
2	Changes to Rule 13 – close out netting	8 December 2014
3	Changes to Default Fund Floor; Default Procedure Part B; Minor Administrative Changes.	21 May 2015
4	Changes to incorporate Renminbi changes (subject to regulatory approval), as per version originally circulated on 03.11. 2014	25 June 2015
5	Changes to incorporate compression service and ferrous products	23 November 2015
5.1	Minor change to registered address	31 January 2016
6	Partial porting and clarification for jurisdictional opinion	8 August 2016
7	LMEprecious and Open Offer	5 June 2017
8	Auction process Annex	10 July 2017
9	Changes to incorporate Gross Omnibus Accounts and updates to auction process to reflect harmonisation across Services	27 November 2017
10	Changes to implement a Mandatory Auction Process to apply to both LME Base Metals and LMEprecious	17 January 2017
11	Changes to accommodate Inter-dealer Brokers, bridge entities, amended minimum capital requirements and other minor changes	12 November 2018
11.1	Changes to accommodate new mandatory auction tool	March 2019

12	Changes to incorporate changes relating to LME Warrant Collateral, Non-Default Account Transfer Mechanisms, Indirect Clearing Arrangements, Service Withdrawals and other minor changes	22 April 2019
13	SFD Change for Brexit	01 January 2021
14	LME warrants and electronic warranting process and other miscellaneous changes	01 March 2021
15	Miscellaneous Changes including Loss Allocation without an Auction	24 May 2021
16	New Futures Contract Specifications	19 July 2021
17	Miscellaneous including the Default Fund size and Client participation in auction	11 December 2023
18	Delivery Failure Prevention Service	01 January 2024
19	Default Fund Mutualisation Limit, Anti-procyclicality Measure and Miscellaneous	28 February 2025
20	Minimum Net Capital Requirement	12 May 2025