

To: All members and other interested parties

Ref: 26/181

Classification: General Updates

Date: 6 July 2026

Subject: **AUTOMATIC PENALTY CHARGES FOR COMMODITY POSITION REPORT AND WARRANT MANAGEMENT FAILURES**

Summary

1. On 19 May 2021 the LME issued Notice 21/099 which explained that on 2 June 2021, the LME would be implementing automatic penalty charges for position reporting failures.
2. On 2 April 2024, the LME issued Notice 24/137 which withdrew and replaced Appendix 2 of Notice 21/099 which, in addition to setting out the process that applies in respect of imposing automatic penalty charges for position reporting failures, also set out the automatic penalty charges that apply in respect of position reporting failures. The purpose of Notice 24/137 was to:
 - (a) confirm that the process with respect to imposing automatic penalty charges, as set out in Appendix 2 of Notice 21/099, shall continue to apply; and
 - (b) confirm uplifts to the automatic penalty charges in respect of position reporting failures. These uplifts are set out in the Appendix below and are to take effect as at the date of Notice 24/137¹.
3. This Notice serves to amend and replace Notice 24/137.
4. The LME may update or supplement this Notice from time to time, whether in the form of a Notice or in other communications from the LME.

Defined Terms

5. Capitalised terms otherwise not defined herein shall have the same meaning ascribed to them in the LME Rulebook.

Joe Morrison
Head of Market Surveillance
cc: Board directors

¹ For the avoidance of doubt, the automatic penalty charges set out in this Notice shall not be applied retrospectively and shall not apply to those Members who have received notification of being subject to an automatic penalty charge (either by way of an Investigation or otherwise) in respect of position reporting failures prior to the date of the version of this Notice dated 2 April 2024. For such position reporting failures, the automatic penalty charges set out in Appendix 2 of Notice 21/099 shall apply.



Appendix

Automatic Penalty Charges for Breaches of Commodity Position Report and Warrant Management Obligations

Automatic Penalty Charge

1. Any Member who fails to submit Commodity Position Report (“**CPR**”) files and/or manage Warrant holdings in LMEsword in a timely and accurate manner, in accordance with Regulation 25 of Part 3 of the Rulebook, and paragraphs 31 and 32 of the LME’s Policy Relating to Position Management Arrangements (the “**Policy**”)² on 5 or more days in a calendar month (the “**Errors**”) will be subject to an automatic penalty charge as set out below:
 - £5,000 for a first incidence;
 - £10,000 for a second incidence; and
 - £15,000 for each incidence thereafter within a 24 month rolling period (starting from the first incidence).
2. The LME may commence an investigation and take appropriate disciplinary action, in accordance with Regulations 13 and 14 of Part 2 of the Rulebook, in respect of any occurrence of any Error which the LME may deem, in its absolute discretion, to be significant, egregious, and/ or repeated.
3. The LME Market Surveillance department shall write a letter to each Member who submitted Errors and set out: (i) the number of Errors that occurred; and (ii) the date and time on which the Errors occurred. The letter will also set out the automatic penalty charge that is payable by a Member, giving the Member thirty (30) calendar days to pay the automatic penalty charge. The Member shall pay such charge, unless such charge is disputed, (in which case the process set out at paragraph 4 below for disputing an automatic penalty charge shall be followed). Where an automatic penalty charge has been paid, the LME shall issue a Notice to the market setting out the name of the Member and amount of the automatic penalty charge.
4. Any Member that wishes to dispute the imposition of an automatic penalty charge may do so by giving notice to the LME in writing within thirty (30) calendar days of receiving the letter from the LME. A Member may only dispute a penalty charge where it has a valid reason to do so, for example that the penalty charge was imposed in error (see also paragraph 6 below). The notice from the Member should set out the reasons for disputing the automatic penalty charge and any evidence in support thereof. The following process shall then apply:
 - (a) the LME shall prepare a report to the Enforcement Committee (which would take account of, and include, any representations made by the Member and any evidence in support thereof);
 - (b) the Enforcement Committee shall consider the report and whether the automatic penalty charge should be upheld; and
 - (c) the LME, on behalf of the Enforcement Committee, shall inform the Member of the Enforcement Committee’s decision in writing. If the Enforcement Committee determines that the automatic penalty charge should be overturned, then the Member shall not be required to pay the automatic penalty charge. If the Enforcement Committee determines that the automatic penalty charge should be upheld, then the Member shall pay the automatic penalty charge within thirty (30) calendar days of being informed of the Enforcement Committee’s determination. Once the Member pays the automatic penalty charge, the LME shall publish a notice to the market setting out the name of the Member and amount of the automatic penalty charge.

² The Policy was issued by way of Notice 21/042 dated 12 March 2021 and revised by way of this Notice.



5. Failure by a Member to pay either: (i) an undisputed automatic penalty charge within thirty (30) calendar days of receiving a letter detailing the imposition of automatic penalty charges in accordance with paragraph 3 above; or (ii) a disputed penalty charge upheld by the Enforcement Committee within thirty (30) calendar days of receiving a letter from the LME confirming the Enforcement Committee's decision in accordance with paragraph 4(c) above, shall constitute an act of misconduct pursuant to Part 2 of the LME Rulebook and may result in the institution of disciplinary proceedings against the Member concerned.

6. For the avoidance of doubt, the automatic penalty charge process was introduced in order to assist the LME in ensuring that Errors are dealt with in a fair, resource-efficient and timely manner. The imposition of a penalty charge occurs automatically as a result of a Member committing the Errors as described in paragraph 1, irrespective of why the Errors occurred. It is the responsibility of Members to ensure that they are able to submit CPR files and manage Warrant holdings in LMEsword in accordance with paragraphs 11 to 30 of the Policy. Requests for leniency (citing, for example, unforeseen events, systems issues, staff shortages etc) shall not constitute a valid reason for disputing the imposition of an automatic penalty charge.