

INCENTIVE PROGRAMME SPECIFICATIONS

Proprietary Liquidity Programme (“PLP”)

1. This PLP is governed by the General Terms of the LME incentive programmes (the “**General Terms**”). The General Terms can be obtained from the LME website or from the Global Client Development team at GCD@LME.com.
2. Capitalised terms not otherwise defined in this Specification shall have the meaning ascribed to them in the General Terms.

Proprietary Liquidity Programme

3. The PLP has been designed to promote liquidity additive behaviour on LMEselect. The PLP rebate criteria, detailed below, are designed to support higher quality order books on LMEselect and will benefit all users of the electronic marketplace.
4. Proprietary liquidity providers tend to turn over their position frequently throughout the day. Smaller positions allow them to act in their role as liquidity providers, unencumbered by a meaningful position. The natural result of this short holding period is that liquidity providers’ activity is characterised by day trading, where a position is opened and closed in the same trading day. Trading in this manner is beneficial to the quality of the market and fee sensitive.
5. Proprietary liquidity providers’ orders are often filled passively, where the order is resting in the order book before it is matched. Because it is resting in the order book, passive volume adds depth and quality to the market and is liquidity additive. An aggressing order, by contrast, matches with a resting order and removes liquidity from the order book.
6. A client trade on LMEselect can be viewed as three sides (one ‘Exchange’ and two ‘Client’) within the T4 booking model, each of which pays fees. The PLP rebates one Client side of a trade for each liquidity additive characteristic.
7. For passive volumes, as determined by LMEselect, where the Participant’s order was resting when matched, one Client side of the trade will be rebated.
8. For day-trades, where the position in a Prompt Date is opened and closed within the same trading day, one Client side of the trade will be rebated.
9. For Participants, the maximum fee reduction possible is two Client sides, by day-trading through passive activity. Some Participants may receive no fee reduction based on the nature of their trading activity.
10. Members are required to submit applications for the PLP, by emailing completed applications to incentive.programmes@lme.com. Applications will not be considered if received from a Client or Indirect Client.



Eligibility Criteria

11. To be eligible for the PLP, a Participant must be a Client or Indirect Client and must be a Proprietary Trading Firm. The conditions for whether an entity will be considered a Proprietary Trading Firm is as set out in the General Terms.
12. Eligibility for the PLP is determined at the Proprietary Trading Firm level.
13. As eligibility is determined at the firm level, a firm which engages in any non-proprietary trading business is not eligible for participation.
14. An entity will be considered a Proprietary Trading Firm where it meets the requirements of clauses 5.4 and 5.5 of the General Terms.

Eligible Contracts

15. Outright, medium-dated carry, and long-dated contracts¹ traded on LMEselect in Aluminium, Copper, Zinc, Nickel, Lead, and Tin ("**Eligible Contracts**"). Without prejudice to any eligibility conditions set out in the LME Rulebook, the General Terms or this Specification, in order for volume in Eligible Contracts to benefit from the PLP, the relevant trades must:
 - a. comprise a cleared contract and a corresponding client contract (with both terms as defined in the LME Rulebook);
 - b. have been executed on LMEselect;
 - c. include matching identifiers in LMEsmart as defined in this Specification; and
 - d. have the venue of execution correctly marked as LMEselect in the LMEsmart trade record(s).

Rebate Criteria

16. Rebates will be determined based on the following two criteria, cumulatively and independently:

¹ As defined in the LME fee schedule



- a. *Passive volume*, as determined by LMEselect. Trades will receive a rebate of one Client side of trading and clearing fees. Passive volumes are those executed as resting orders, not an aggressing order;
- b. *Day-traded volume* will receive a rebate of one Client side of trading and clearing fees. Day-traded volumes are volumes where the position is opened and closed on LMEselect within the same trading day for the same prompt date.

The trade identifier for the calculation of rebates under the PLP will be the specific registered relevant Tag. In LMEsmart, the client code must match the relevant Tag from LMEselect. For Category 4 Members, the private reference field in LMEsmart must match the relevant Tag from LMEselect.

17. In order to achieve the full rebate all client trades must satisfy all the following criteria:

- a. in LMEsmart, registration of the client contract should have the same account code as the registered relevant Tag of the Participant on LMEselect and the venue code of the registered client cross in LMEsmart should be "LMEselect";
- b. only PLP trades with a corresponding client contract based on metal, carry type and prompt date will be eligible for a rebate;
- c. all client cross trades need to be booked on the same day as the cleared LMEselect contracts; and
- d. all trades must be matched and cleared.

18. Failure to satisfy all the criteria will result in the Client being rebated only a portion of the full rebate or receiving no rebate at all.

19. In the event that the requirements of the Eligibility Criteria, Eligible Contracts and Rebate Criteria are not fully met, there will be no entitlement to a rebate.

Duration of the Programme

20. The LME may extend the Renewed Programme or re-open the programme if it is suspended/terminated (subject to regulatory approval). In such circumstances, Participants shall remain on the PLP.