



Crossing Guidance



1 Legal Disclaimer

The purpose of this document is to provide an updated draft of the Crossing Guidance. It should be read in conjunction with the Consultation Notice 25/083 (the “**Consultation**”) and the Decision Notice 25/149 (the “**Decision Notice**”).

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

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

2 Summary

This document is intended to set the LME’s expectations and provide technical guidance to Members on the Crossing Rule requirements in accordance with LME Regulation 2.4A (The Crossing Rule) of Part 3 of the LME Rulebook. This Guidance is applicable to any Agreed Trade executed on LMEselect. For the avoidance of doubt, crossing can be utilised to execute Agreed Trades both below and above the Minimum Volume Threshold (“**MVT**”) where applicable.

3 Crossing Methods

There are two crossing methods available: the LMEselect cross (manual cross) and the LMEselect crossing order type (automated cross). When utilising either of these methods to execute on LMEselect, the client side of an order could receive an improvement if the market moves in favour¹ of that order. In such cases, Members are expected to pass on that price improvement to the Client.

3.1 LMEselect Cross (manual cross)

Where two participants engage in Pre-Trade Communications, and as a result a Member intends to enter orders on LMEselect, the client order, or order of the participant that initiated the Pre-Trade Communications, must be submitted, to LMEselect first, without delay. Following a minimum period of 5 seconds, the opposite side may be entered.

This process is referred to as the LMEselect Cross.

Members are reminded that these orders may interact with resting or incoming orders to the market. For the avoidance of doubt, orders will be matched on a price/time-priority basis in line with any order entered to the matching engine, as defined by the Exchange.

Members must ensure that any required fields are correctly populated (including ‘Party Role 3 Client ID’ on FIX or ‘Client ID Short Code’ on Binary order routing APIs for the client side of the cross). For the avoidance

¹ For the avoidance of doubt, where the client is the buyer and the best offer in book is lower than client bid. Where the client is the seller and the best bid in the book is higher than the client offer.



of doubt, when the LME introduces Self-Execution Prevention (SEP), this will not be allowed to be applied to orders entered related to crossing.

Members are expected to adhere with this guidance, which should be read in conjunction with the Matching Rules and any other applicable guidance or any relevant LME Notices.

3.2 LMEselect Crossing Order Type (automated cross)

Where two participants engage in Pre-Trade Communications, and as a result the Member intends to enter orders on LMEselect, the resulting orders may be entered using the LMEselect Crossing Order Type.

The LMEselect Crossing Order Type must be submitted without delay. Upon entry, a Request For Cross (“**RFC**”) notification is sent to the market, followed by a 5 second interval before the LMEselect Crossing Order Type logic is processed.

Where the LMEselect Crossing Order Type is used¹, the Member entering the order should identify which is the Client or initiating side.

The illustrative scenario below explains the LMEselect Crossing Order Type logic in a scenario where a Member is trading with a Client. This logic is also applicable where the Crossing Order Type is used in the case of a Member crossing two clients, or with a Member crossing with another Member (and the non-initiating Member is entering both sides of the cross).

3.2.1 LMEselect Crossing Order Type logic

Where a Member has engaged in Pre-Trade Communications with a Client in order to cross, the Member may use the LMEselect Crossing Order Type, and if so must indicate the Client side of the order and may use the Guarantee Flag.

The Guarantee Flag ensures that the Client will at least get a fill at the cross price, and can get an improvement from liquidity on LMEselect.

The LMEselect Crossing Order Type will generate an RFC notification to the market which shows the volume of the order, but not the price.

1. *Where the Guarantee Flag is used:*

After a period of 5 seconds, the crossing order type logic will process based on the activity in the orderbook at that time, resulting in one of the below scenarios:

- If the market moves in favour of the Client², the Client will automatically receive a partial/full improvement with the Member executing against any residual. Any remaining unexecuted volume (on the Member side) from the LMEselect Crossing Order Type will be cancelled.
- If there are no better bids/offers in the relevant book, the cross is completed, the Member and Client will execute against each other's orders at the cross price.

² For the avoidance of doubt, where the client is the buyer and the best offer in book is lower than client bid. Where the client is the seller and the best bid in the book is higher than the client offer.



- If there are any existing orders at the same price level as the cross, the Member and Client will execute against each other's orders at the cross price.
- If the market moves against the Client³, the Member and Client will execute against each other's orders at the cross price.

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

After a period of 5 seconds, the crossing order type logic will process based on the activity in the orderbook at that time, resulting in one of the below scenarios:

- If the market moves in favour of the Client², the Client will automatically receive a partial/full improvement with any residual executing with existing orders in the book at the cross price ahead of the Member executing against the Client at the cross price. Any residual unexecuted volume (on the Member side) from the LMEselect Crossing Order will be cancelled.
- If there are no better bids/offers in the relevant book, the cross is completed with the Member and Client will execute against each other's orders at the cross price.
- If there are any existing orders in the book at the same price level as the cross that the client order can execute against, the order will be filled against those existing orders first with the Member executing against any residual at the cross price. Any residual unexecuted volume from the Member from the LMEselect Crossing Order will be cancelled.
- If the market moves against the Client³, the order will be rejected, and the cross will not be completed; the Member can either re-enter the cross at a new price level or work the order in the market.
- If there are any existing orders in the book at the same price level in the same direction as the client order, then the order will be rejected, and the cross will not be completed; the Member can either re-enter the cross at a new price level or work the order in the market.

For the avoidance of doubt, these scenarios are also applicable where the Crossing Order Type is used when a Member crosses with another Member (but is entering both sides of the cross) and when a Member crosses two Clients, and the initiating side of the order is identified.

4 Rebates

The LME will waive transaction fees for one member trade half of a LMEselect crossing order (automated cross) so that the total fee aligns with that of someone trading on LMEselect directly.

For the LMEselect cross (manual cross), the LME will rebate one member trade half if the following fields are correctly populated: (i) adding the word "ManualX" in the "Private Reference field" in LMEsmart when submitting the client trade, and (ii) populating the TradelinkID⁴ correctly.

Failure to populate these fields correctly will result in forfeiting the eligible rebates as part of the BAU process. On a case to case basis, the LME will also allow for eligible manual crosses to be rebated by sending the appropriate documentation at RM@lme.com.

³ For the avoidance of doubt, where the client is the buyer and the best bid in book is higher than client bid. Where the client is the seller and the best offer in the orderbook is lower than the client offer.

⁴ More details on the TradelinkID field can be found in LME Notice 17 403 (MiFID II Transaction Reporting nonMiFID II)



5 Population of Required Fields

Members are reminded that when entering the automated cross (the LMEselect crossing order type), they will be expected to fill in the following fields: Execution Decision within Firm (Party Role 301), Client ID (Party Role 3) with the short code of the Client (only if entering for a Client order), Order/Trading Capacity, Investment Decision within Firm (Party Role 300) and Broker Client ID (Party Role 81).

For the avoidance of doubt, the Member's LMEselect field population for the LMEselect crossing order type correspond to the fields populated today. For more details, see some illustrative scenarios in the Appendix below.

6 Further Information

For further information on the functionality, or any question arising from the document, please reach out to tradingoperations@lme.com

7 Appendix

The below scenarios provide a technical guidance on how to populate the required LMEselect fields when using the LMEselect crossing order type.

Scenario 1: **Member crossing with a Client (Member entering the LMEselect crossing order type)**

LMEselect fields/tags	Member	Client
Execution Decision within Firm (Party Role 301)	Short code of the individual responsible for the execution decision	3 (NORE)
Client ID (Party Role 3)	Blank (not required)	Short Code of the client
Order/Trading Capacity	DEAL	AOTC or MTCH
Broker Client ID (Party Role 81)	Risk account created in LMEptrm	Risk account created in LMEptrm created for that client or of the house business

Scenario 2: **Member crossing two clients (Member entering order type on behalf of Client A)**

LMEselect fields/tags	Client A	Client B
Execution Decision within Firm (Party Role 301)	3 (NORE)	3 (NORE)



Client ID (Party Role 3)	Short Code of client A	Short Code of client B
Order/Trading Capacity	AOTC or MTCH	AOTC or MTCH
Broker Client ID (Party Role 81)	Risk account created in LMEptrm	Risk account created in LMEptrm created for that client or of the house business

Scenario 3: Member crossing with another Member (Member dealing on own account)

LMEselect fields/tags	Member A	Member B
Execution Decision within Firm (Party Role 301)	Short code of the individual responsible for the execution decision	3 (NORE)
Client ID (Party Role 3)	Blank (not required)	Short Code of Member B (which Member A registers via PII file)
Order/Trading Capacity	DEAL	AOTC or MTCH
Broker Client ID (Party Role 81)	Risk account created in LMEptrm	Risk account created in LMEptrm created for that client or of the house business

Note: the field Party Role 300 is mandatory when trading capacity is "DEAL"

LMEselect fields/tags	Member	Client
Investment Decision within Firm (Party Role 300)	Short code of the participant responsible for the investment decision (Member can enter the same value as Party Role 301, if applicable)	Blank (not required)