



DEA Overview

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1 Introduction

This document provides an overview of the key elements of the operation of LMEselect that apply to business submitted by Direct Electronic Access (“**DEA**”) participants. It is to be read in conjunction with Part 3 (Trading Regulations) of the Rules and Regulations of the LME (the “**LME Rulebook**”), and with the supporting documents listed below. For the avoidance of doubt, this overview summarises the policies and is not a substitute for the requirements set out therein.

1.1 Intended Audience

This document is intended for new and existing Members, clients, ISVs and stakeholders with an interest in DEA including under sub-delegation.

1.2 Supporting Documents

This document is to be read in conjunction with the following documents:

- Algorithmic Trading and Direct Electronic Access Policy
- LMEselect Test Services
- Policies and Controls for the Prevention of Disorderly Trading
- LMEptrm User Guide
- Price Bands and Other Volatility Control Mechanisms
- Error Trades and Erroneous Order Submissions Policy
- Policy on Unexecuted Order to Transaction Ratio

2 Algorithmic Trading and Direct Electronic Access Policy

The Algorithmic Trading and Direct Electronic Access Policy sets out the London Metal Exchange’s (the “**LME**”) policy on algorithmic trading and the provision of DEA by Members to their Clients. The document, in conjunction with other related documentation, collectively sets out obligations that are applicable to anyone accessing or conducting business on LMEselect, including Members, clients and independent software vendors (“**ISVs**”) as part of a DEA arrangement.

2.1 DEA On-boarding and Conformance Testing

The Algorithmic Trading and Direct Electronic Access Policy provides details on the process for notifying or applying to the LME in advance of a DEA arrangement being activated.

All Clients wishing to utilise DEA services must be subject to a due diligence assessment by the DEA provider to ensure that the requirements set out in UK version of Commission Delegated Regulation (EU) No 2017/589 (“**UK MiFID RTS 6**”) and the LME Rulebook are met.

For information on conformance testing for DEA participants, please see the LMEselect Test Services document.

For any queries relating to DEA access, please contact Trading Operations on +44 (0) 207 113 8200, or tradingoperations@lme.com.



3 Policies and Controls for the Prevention of Disorderly Trading

This document provides details of the controls the LME has in place to mitigate against disorderly trading on LMEselect, the related policies that support those controls and requirements on Members, including for the provision of DEA services.

All DEA participants should familiarise themselves with this document and particularly the elements that apply to them.

3.1 Pre/Post-trade Checks & Controls

All orders submitted by DEA Clients are required to be subject to appropriate pre- and post-trade risk controls and procedures that have been implemented by the DEA Provider and those controls must be equivalent to, and not less effective or robust than, the controls that the LME requires Members to establish in respect of their own LMEselect activities.

3.1.1 Pre-trade

The LMEptrm system provides Members with functionality to set and manage their risk by using intelligent limits that reflect their risk profile and business model. LME Member Administrators have the ability to create and manage end users (*e.g. individual traders and DEA clients*) and risk groups, view limits set by the LME ("Exchange set limits") and manage their own limits ("Member set limits").

Limits must be set per product, per contract type (*e.g. Outright and Carry.*), and per specific limit (*e.g. notional value, per order quantity etc.*).

The LME's dynamic and static price bands, and daily price limits use price collars to automatically reject orders that do not meet pre-set price parameters on an order-by-order basis. All LMEselect business (including that submitted under a DEA arrangement) is subject to price and volatility controls. All DEA participants must familiarise themselves with the LME's Price Bands and Other Volatility Control Mechanisms to ensure they are aware of how these mechanisms are operated to avoid erroneous order entry in LMEselect.

3.1.2 Post-trade

DEA participants are subject to the Error Trades and Erroneous Order Submissions Policy set out in section 4 below.

Other arrangements

To support the controls employed by the LME, the LME Drop Copy Gateway provides Members and Clients with access to near real-time reports for monitored entities on transactions executed on LMEselect for the current trading day. This service gives Members access to monitor trading activity conducted on LMEselect and to reconcile their own trading logs with data made available by the LME. The service can be tailored to meet the specific requirements of the Member and its Clients.



4 Error Trades & Erroneous Order Submission Policy

All DEA participants are subject to the Error Trade and Erroneous Order Submission Policy which outlines the circumstances relating to and the handling of error trades and erroneous orders on LMEselect.

The LME will publish no-cancellation ranges (NCRs) for all metals on the LME website, which may be amended from time to time. The LME will, at all times, calculate an anchor price for all contracts and the NCRs will be based upon this anchor price. Requests to cancel trades will not be accepted if that trade falls within the relevant NCR, and the LME has full discretion whether or not to permit the cancellation of LMEselect trades.

The LME may be required to cancel orders in order to prevent disorderly trading conditions and breaches of capacity limits. The LME may also cancel or revoke transactions in case of malfunction of the LME's mechanisms to manage volatility or of the operational functions of LMEselect.

The LME may also cancel orders through the Cancellation of Orders Policy set out in the Policies and Controls for the Prevention of Disorderly Trading.

5 Unexecuted Order to Transaction Ratio Policy

All DEA participants are subject to the Unexecuted Order to Transaction Ratio Policy. It is the responsibility of each Member who offers LMEselect DEA facilities to Clients to monitor and control their Clients' activity and also to ensure that its Clients are aware of this policy.

