

To: All members and other interested parties

Ref: 26/058

Classification: Consultation

Date: 27 February 2026

Subject: **CONSULTATION: Introducing Regulatory Position Limits, Exemptions and Position Management Controls; decommissioning the systematic Fixed Price Auction; amending the Matching Rules and the Fixed Penalties Notice**

### Summary

1. The London Metal Exchange (the “**LME**”) is seeking the views of its Members, and all other interested parties, in respect of its proposals to:
    - (a) implement in its Rules and Regulations the new rules by the Financial Conduct Authority (the “**FCA**”) as they will be set out in Chapter 10 of the Market Conduct sourcebook (“**MAR 10**”) – see Part 1;
    - (b) take the following actions:
      - (i) decommission the systematic Fixed Price Auction (“**SFPA**”) and consequential amendments to the LME Rulebook and the Matching Rules,
      - (ii) amend the Matching Rules in relation to the Metal Position Exchange transfer post-trade category,
      - (iii) amend Notice 24/135 (the “**Fixed Penalty Notice**”) for the purposes of enforcing the Minimum Volume Threshold (the “**MVT**”) Rule in Regulation 2.5A Part 3 of the LME Rulebook;
- see Part 2. Part 1 and Part 2 together form the “**Consultation**”.

### Defined terms

2. Terms not otherwise defined in this Consultation will have the meaning given to them in the Rules and Regulations of the LME, including in the LME Rulebook (the “**Rulebook**”), and in the draft Rules attached to this Consultation.

### Documents attached to this Consultation

3. The documents attached to this Consultation are:
  - Annex 1: Redline of proposed amendments to the LME Rulebook;
  - Annex 2: Redline of proposed amendments to the Policy Relating to Position Management Arrangements;
  - Annex 3: Proposed Policy Relating to Regulatory Position Limits and Exemptions;
  - Annex 4: Redline of proposed amendments to the Fixed Penalties for Fixed Penalty Offences Notice (“**Fixed Penalty Notice**”) (Notice 24/135);
  - Annex 5: Redline of proposed amendments to the Indicative Penalties Notice (Notice 24/136);
  - Annex 6: Redline of proposed amendments to the Automatic Penalty Charges for Commodity Position Report and Warrant Management Failures (Notice 24/137);



#### Annex 7: Redline of proposed amendments to the Matching Rules.

4. Please note that, for ease of review, the redline of amendments to the Rulebook and the redline of amendments to the Notice on Fixed Penalties are consolidated versions containing all changes proposed in Part 1 and Part 2 of this Consultation.

#### **Consultation Responses and Feedback**

5. With this Consultation, the LME welcomes all feedback from stakeholders to its proposed Rules (preferably in writing and citing the specific question number being responded to). In relation to Part 1 in particular, stakeholders will see that the LME has sought to prioritise market integrity and orderliness, applying a range of mechanisms and controls to manage risks over time. Stakeholders will also note that a large majority of Rules proposed in Part 1 of this Consultation are a direct application of the LME's own obligations under MAR 10 which have already undergone public consultation and are final.
6. The Consultation will remain open for responses until 18:00 UK time on **27 March 2026**. The LME shall be under no obligation to consider responses submitted after this time.
7. Any questions regarding this Consultation and formal written responses must be submitted by email to [consultation@lme.com](mailto:consultation@lme.com).
8. The LME may need to share responses received with regulatory authorities, members of its Group, and its legal or other professional advisors, or as required by law. With these exceptions, all responses will be treated in confidence. Anonymised responses (verbatim or paraphrased) may be included in any subsequent decision notices(s).
9. Prior to becoming effective, any regulatory approvals that are required in respect of the amendments that are proposed in this Consultation will be sought.
10. Following due consideration of any responses and following the close of this Consultation, the LME may implement:
  - (a) in respect of any or all of the Consultation proposals, that proposal, a modified version of that proposal, an alternative to that proposal or no measure in respect of that proposal;
  - (b) any other measures; or
  - (c) no measures.
11. Following this Consultation and once any required regulatory approvals are obtained, the LME will advise Members via a Decision Notice whether and when the proposed Rule changes will take effect.

#### **Benefits and unintended consequences**

12. The LME acknowledges that there may be costs in complying, or otherwise in connection, with the proposals set out in this Consultation. However, the current view of the LME is that the proposals are justified as they are in the interests of the wider market and would strengthen LME markets.
13. The LME has not identified any unintended consequences as a result of any of the proposals. However, the LME is interested in the views of respondents to the Consultation in this regard. Any material issues or unintended consequences associated with the proposals in the Consultation should be backed by strong and compelling evidence.



## **PART 1 - Introducing Regulatory Position Limits, Exemptions and Position Management Controls**

### **Background**

14. Under the current UK MiFID framework, the FCA is responsible for setting limits on the size of positions that a person can hold in certain Futures Contracts traded on the LME as well as granting exemptions to these limits. Consistent with the Financial Services and Markets Act 2023, in February 2025 the FCA published Policy Statement 25/1 on *Reforming the commodity derivatives regulatory framework* (“**PS 25/1**”), as embedded in MAR 10 confirming that UK trading venue operators are responsible for setting position limits and granting exemptions.
15. Most of the new MAR 10 rules will come into effect on **6 July 2026** (with the exception of the MAR 10 rules on exemptions to position limits which came into effect on **3 March 2025**). 6 July 2026 is therefore the date on which the LME and market participants must comply with all of the new rules in MAR 10.
16. On 15 December 2025 the LME published LME Notice 25/232<sup>1</sup> where it set out its approach towards the implementation of PS25/1 and its approach to position management (the **Update**). In the Update, the LME made clear that it intends to continue to operate a comprehensive framework of monitoring and controls over on-Exchange positions and over-the-counter (**OTC**) positions while making the necessary changes in its Rules to implement MAR 10 requirements on Regulatory Position Limits, Exemptions and Exemption Ceilings, Accountability Thresholds, Exchange Position Limits and position reporting.
17. For a description of the overall process and the timeline relating to PS 25/1, we refer you back to the accompanying Notice to the Update.

### **Structure of Part 1**

18. In Part 1 of this Consultation, the LME seeks views on the proposed changes to the Rulebook and other Rules in the areas below:
  - (a) Section A: Person Subject to the Rules;
  - (b) Section B: Regulatory Position Limits;
  - (c) Section C: LME Powers and Participant Responsibilities;
  - (d) Section D: Exemptions and Exemption Ceilings; and
  - (e) Section E: Position Management Arrangements.
19. As the rules in MAR 10 have already been consulted on by the FCA and adopted in PS 25/1, the LME does not expect material comments on the substance of the new Rules contained in the Rulebook and the LME’s policies proposed in this Consultation. However, the LME welcomes any views and constructive feedback on those.
20. The questions asked in Part 1 of this Consultation are:
  - Q.1:** Do you agree with the introduction of a new status of Person Subject to the Rules in the Rulebook and the proposed transitional arrangements? If not, please explain why.
  - Q.2:** For the purposes of calculating the size of positions in Critical and Related Contracts against a Regulatory Position Limit and an Accountability Threshold, should the LME require that net positions be aggregated via ‘Option A’ or ‘Option B’? Please explain why.
  - Q.3:** Do you agree with the LME’s proposed levels of Regulatory Position Limits? If not, please explain why.
  - Q.4:** Do you agree with the LME’s proposed Rules on Regulatory Position Limits? If not, please explain why.
  - Q.5:** Do you agree with the LME’s proposed powers, the responsibilities of Members and Persons Subject to the Rules, and clarification of the LME’s disciplinary powers to enforce the new regime

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<sup>1</sup> LME Notice 25/232: LME update – PS25/1 and the Approach to Position Management



pertaining to Regulatory Position Limits, Exemptions, Exemption Ceilings and position management arrangements? If not, please explain why.

- Q.6:** Do you agree with the LME's proposed Rules on Exemptions and Exemption Ceilings? If not, please explain why.
- Q.7:** For the purposes of calculating the size of positions in OTC contracts against an Accountability Threshold, should the LME require that net positions be aggregated via 'Option C' or 'Option D'? Please explain why.
- Q.8:** For the purposes of calculating the size of positions in LME Contracts and OTC contracts against an Accountability Threshold, should the LME require that net positions be aggregated via 'Option E' or 'Option F'? Please explain why.
- Q.9:** Do you agree with the LME's proposed Rules on Accountability Thresholds? If not, please explain why.
- Q.10:** Please provide any other comment you may have on the LME's proposed implementation of the MAR 10 rules.



**Section A – “Person Subject to the Rules”**

**Background**

- 21. As noted in the Update, to ensure that LME Regulatory Position Limits, Exemptions and other position management arrangements can be adequately enforced including against certain market participants who are not Members of the LME, the LME is proposing to introduce the new status of “Person Subject to the Rules” (**PSR Status**). Only a non-Member can become a Person Subject to the Rules.

**Proposal**

- 22. A non-Member would agree to become a Person Subject to the Rules in order to obtain an Exemption from the proposed Regulatory Position Limits (more on these concepts below).
- 23. A non-Member would be required to enter into a separate contract with the LME (which is not subject to consultation). The contract would notably specify that to obtain an Exemption from the Regulatory Position Limits, the non-Member agrees to be contractually bound by the LME’s Rules (where these expressly apply to a Person Subject to the Rules) thereby adopting the status of a Person Subject to the Rules.
- 24. A Person Subject Rules would only be bound by Rules which are expressly stated to apply to it. In relation to the Rulebook, the Rules applicable to Persons Subject to the Rules would be:

Rulebook	Description
Glossary	(where relevant)
Regulations 2.4 to 2.6 of Part 1 of the Rulebook	General provisions on the application of Rules
Regulation 12.1 (including 12.1.3 and 12.1.4) and Regulation 12.5 of Part 2 of the Rulebook	Duty to provide information to the LME
Regulations 12.6.1 and 12.6.2 of Part 2 of the Rulebook	High-level standards applicable to a Person Subject to the Rules
Regulation 12.7 of Part 2 of the Rulebook	Compliance with market abuse type obligations
Regulations 13 and 14 of Part 2 of the Rulebook	Disciplinary powers of the LME
Regulation 21 of Part 2 of the Rulebook	Duty to protect the confidentiality of Confidential Information and exclusions to such duty
Regulation 25 of Part 2 of the Rulebook	Persons Subject to the Rules
Regulation 17 of Part 3 of the Rulebook	Powers of the Special Committee
Regulation 18 of Part 3 of the Rulebook	Lending Rules
Regulation 19 of Part 3 of the Rulebook	LME’s liability (and exclusion of liability)
Regulation 20 of Part 3 of the Rulebook	Exchange Position Limits
Regulation 24.1 to 24.5 of Part 3 of the Rulebook	Backwardation Cap



Rulebook	Description
Regulation 26 of Part 3 of the Rulebook	Regulatory Position Limits
Regulation 27 of Part 3 of the Rulebook	Exemptions and Exemption Ceilings
Regulation 28 of Part 3 of the Rulebook	Accountability Thresholds
Regulation 29 of Part 3 of the Rulebook	Powers of the Exchange

25. A Person Subject to the Rules would also be subject to any Rules in any applicable Notice such as (currently as proposed):
- the proposed new Policy Relating to Regulatory Position Limits and Exemptions;
  - the proposed amended Policy Relating to Position Management Arrangements;
  - the proposed amended Notice on Fixed Penalties (Notice 24/135) (where applicable);
  - the proposed amended Indicative Penalty Notice (Notice 24/136) (where applicable).
  - The Notices would expressly state whether they apply to a Person Subject to the Rules and if necessary, which specific Rule in the Notice applies.
26. The list above is non-exhaustive and the LME may require Persons Subject to the Rules to comply with additional Rules in the future (subject to consultation where required).
27. Notwithstanding its PSR Status, a Person Subject to the Rules would remain a Client of a Member and continue to be treated as such by their Member under the Rules. For instance, a Person Subject to the Rules could be determined by the LME as a “Client of Concern” under Regulations 12.10, 12.10.1 and 12.10.2 of Part 2 of the Rules.
28. A non-Member would be able to terminate its PSR Status by giving a minimum of thirty (30) days written notice to the LME as per the contract. The LME could terminate a firm’s status as a Person Subject to the Rules immediately for serious breaches such as misconduct, fraud, acting in bad faith or damaging the LME’s reputation. The mechanism for termination would be set out in the separate contract between the LME and the PSR (as noted in paragraph 23 above).
29. After termination, a person who has ceased to be a Person Subject to the Rules would agree to remain subject to the LME’s Rules and to the LME’s jurisdiction in respect of any new or on-going investigations or disciplinary proceedings (including to the subsequent payment of fines) relating to acts or omissions during the time it was a Person Subject to the Rules. The LME would be able to start disciplinary proceedings against a person that has ceased to be a Person Subject to the Rules for up to six years after the date on which that person ceased to be a Person Subject to the Rules. That period of six years could be extended. This proposal is similar to the current Rules that apply to Former Members.
30. In that regard, Regulation 10 of Part 2 of the Rulebook is proposed to be updated to reflect that LMEprecious is no longer a service provided by the LME (Regulation 10.1) and amended so that the timelines applicable to Former Members are aligned with the timelines applicable to Persons Subject to the Rules (six years – see proposed amendment to Regulation 10.5).
31. Introducing a PSR Status offers three key advantages for Members, non-Members and the LME. First, the PSR Status establishes a direct enforcement relationship between the LME and non-Members, enabling the LME to apply its Rules directly to those entities. This strengthens their accountability and provides the LME with the confidence to grant higher Exemption Ceilings, knowing it retains effective disciplinary recourse should non-Members fail to comply with its Rules. Second, the PSR Status reduces the extent to which Members may be exposed to regulatory scrutiny arising from their Clients’ non-compliance with LME Rules. This produces a more proportionate and transparent allocation of responsibility between Members and non-Members. Third, by combining increased accountability, a stronger enforcement mechanism, and a more balanced distribution of responsibilities, the PSR Status



promotes a self-reinforcing regulatory framework characterised by trust, compliance, and enhanced market integrity.

32. Without introducing the PSR Status, LME Members would find themselves directly liable for a breach of the Rules by an Exemption Holder who is their Client and a non-Member. Therefore, their liability would mechanically increase under the regime and the LME would be required to share more information. In addition, it is more likely the LME would have to trigger the application of Client of Concern process and revoke Exemptions more expediently where there is a breach of the Exemption conditions by a non-Member. In order to ensure the LME is in the best position to maintain market orderliness, the LME would have to grant lower Exemption Ceilings to non-Members.

#### **Transitional arrangement to the entry into force of PSR Status**

33. The LME is conscious that Clients of Members wanting to apply for and obtain an Exemption before the new regime has come into force (6 July 2026) may have insufficient time to make the necessary arrangements to achieve PSR Status in advance.
34. Consequently, while the LME is now consulting on introducing the Rules creating a new PSR Status, if it is adopted, the LME could either make the Rules introducing the PSR Status effective from the go-live of the regime, or delay the entry into force of these Rules. In that respect, the LME is considering delaying the introduction of the Rules effecting the PSR Status until 6 January 2027 to allow Exemption Holders enough time to go through their internal governance processes and return the contract effecting their acceptance to the PSR Status signed. The LME would be interested in the views of market participants in relation to the length of this proposed transitional arrangement.
35. To be clear, all of the other new and amended Rules introducing the PS 25/1 regime would come into force on 6 July 2026 and the rules on Exemptions would come into force in April 2026. This means that Clients of Members would be able to apply for and be granted an Exemption from the LME's Regulatory Position Limits in time for 6 July 2026. Their Exemption would be live on 6 July and valid but subject to the condition that they agree to become a Person Subject to the Rules by 6 January 2027. The LME acknowledges that the proposed transitional arrangement results in a six-month period during which non-Members holding an Exemption would not be directly liable for any Rule breach. This would necessarily increase, for a limited period, the responsibility of Members for their Clients' breaches. However, in the context of a new regulatory regime designed to operate in the long term, the LME considers a six-month transition period to be in practice a proportionate tool and one that allows the PSR framework to embed effectively. Moreover if during that transitional period a non-Member who holds an Exemption were to breach one or more of the conditions of its Exemption, given the lack of direct enforcement relationship, the LME would have the option under its powers to declare that non-Member a Client of Concern and/or significantly lower its Exemption Ceiling and/or revoke its Exemption and require it to maintain positions below or equal to the Regulatory Position Limits.
36. Depending on the outcome of the Consultation, if the LME were to adopt a transitional arrangement, the requirement for an Exemption Holder to be a Person Subject to the Rules would come into force on 6 January 2027. . On that date, Exemption Holders who are not already Members of the LME would be required to have contractually agreed to become a Person Subject to the Rules (by returning to the LME the signed contract by which they would have agreed to the PSR status before 6 January 2027).
37. Exemption Holders who have not contractually agreed to become a Person Subject to the Rules by 6 January 2027 (ie have not returned the signed contract by that deadline) would have their Exemption revoked (before the revocation comes into effect they would be required to reduce their positions back below (or equal to) the applicable Regulatory Position Limit in an orderly manner).
38. Finally, from 6 January 2027, any Client applying for a new Exemption would have to contractually agree to become a Person Subject to the Rules (ie no transitional period would apply and to obtain an Exemption they would have to return the PSR contract signed).

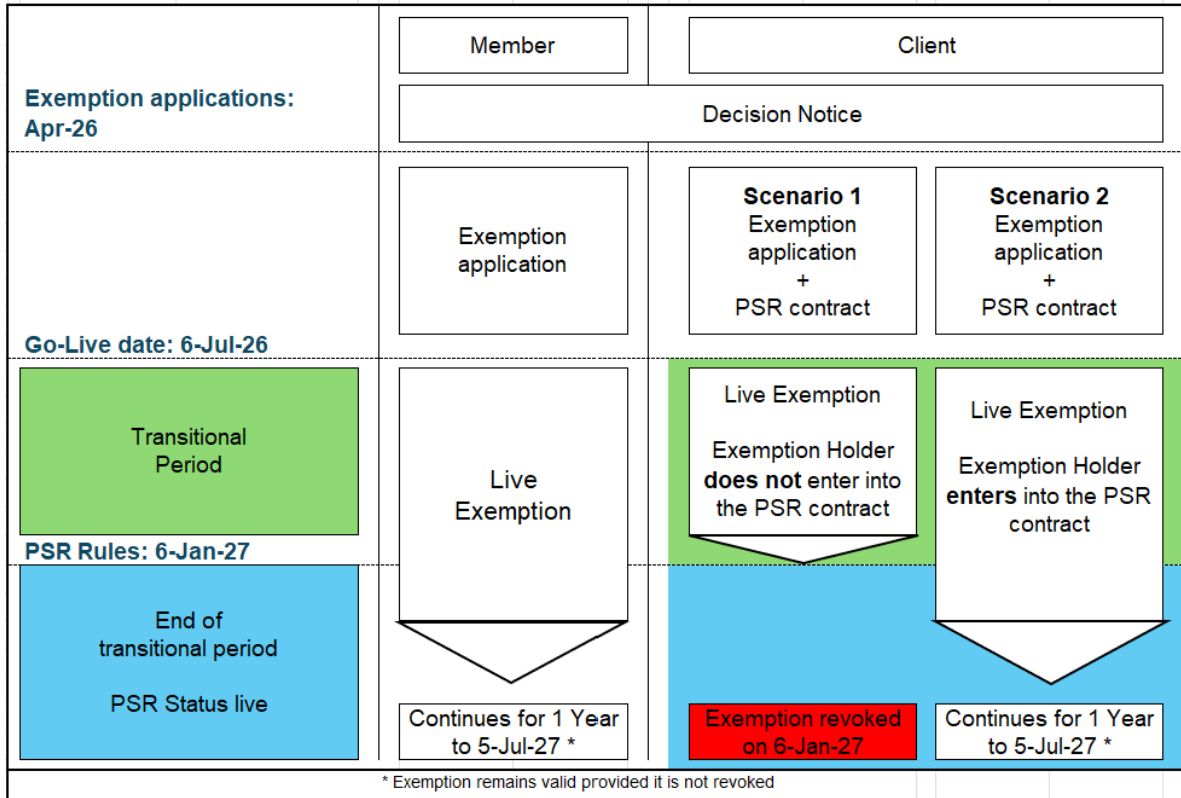


Figure 1 – Persons Subject to the Rules

**Question**

**Q.1: Do you agree with the introduction of a new status of Person Subject to the Rules in the Rulebook and the proposed transitional arrangements? If not, please explain why.**



## Section B – Regulatory Position Limits

### Background

39. The LME intends to transpose the detail of its proposed implementation of the MAR 10 rules on position limits and exemptions into a new policy called “Policy Relating to Regulatory Position Limits and Exemptions”. The Rulebook would contain high-level Rules focusing on the main obligations of Members and Persons Subject to the Rules and the powers of the LME (including via the Special Committee).
40. From 6 July 2026 the LME will introduce Regulatory Position Limits on Contracts it has designated as being Critical or Related. Regulatory Position Limits will apply to all positions held by any person in a Critical or Related Contract. Persons holding positions will be expected at all times to maintain their positions below (or equal to) these Limits unless they benefit from a valid Exemption granted by the LME. In that case, the Exemption Holder would be required to ensure its positions remain below (or equal to) the Exemption Ceiling set by the LME (more on Exemptions in Section D of this Consultation).
41. The LME would be entitled to take action where a Member, a Member’s Client (for which the Member remains responsible) or a Person Subject to the Rules has failed in its obligation to adhere to the regime. In that regard, a description of the LME’s proposed disciplinary powers are set out in Section C of this Consultation.

### Proposals

#### Contracts in scope of Regulatory Position Limits

42. As set out in the Update, the proposed LME Critical Contracts and Related Contracts in scope of the LME Regulatory Position Limits and Exemption regime are:

Critical Contracts	Related Contracts
Futures Contracts:	Options of the 6 critical contracts
LME Aluminium (AH);	Minis of 3 critical futures contracts – in particular: <ul style="list-style-type: none"> <li>• LME Aluminium (MA)</li> <li>• LME Copper (MC)</li> <li>• LME Zinc (MZ)</li> </ul>
LME Copper (CA);	
LME Lead (PB);	
LME Nickel (NI);	
LME Tin (SN);	
LME Zinc (ZS).	Monthly Average Futures ( <b>MAFs</b> ) of 6 critical futures contracts
	Traded Average Price Options ( <b>TAPOs</b> ) of 6 critical futures contracts
	Trade at Settlement ( <b>TAS</b> ) of 6 critical futures contracts

43. The Update set out the reasoning of the LME when defining the scope of the Related Contracts to the Critical Contracts listed in the FCA MAR 10 Rules. To avoid duplication this is not repeated here, and we refer you back to the Update.

#### Spot and Other Months’ – definition of each period

44. **Spot Month Contracts:** as noted in the Update, the LME proposes to define the Spot Month Contracts as each individual Prompt Date and expiry date up to and including the next 3rd Wednesday Prompt Date (sometimes referred to as **M1**) which is not the next available Prompt Date. As such, when the 3rd Wednesday Future becomes the tom Contract, the Spot Month Contracts would shift to include the following 3rd Wednesday. In other words, the Spot Month Contracts would only include two 3rd Wednesday Prompt Dates when the first is the tom Contract. This proposed change would mean the period of the Spot Month Contracts would roll one day later than under the current definition.



45. **Other Months' Contracts:** As noted in the Update, Other Months' Contracts would include all Prompt Dates and expiry days after the Spot Month Contracts.
46. These proposed definitions are set out in the Policy Relating to Regulatory Position Limits and Exemptions.

#### Regulatory Position Limits

47. As noted above, Regulatory Position Limits will apply to all positions held by any person in a Critical or Related Contract.
48. The proposed Rules on the calculation of positions for the purposes of complying with Regulatory Position Limits will be set out in the Policy Relating to Regulatory Position Limits and Exemptions. A high-level summary of the proposed Rules is set out below.
49. Members and Persons Subject to the Rules must comply with all Rules pertaining to Regulatory Position Limits. While there is an expectation that Clients comply with those Rules, Members will be fully responsible and liable for ensuring that their Clients comply with those Rules.
50. In line with MAR 10, a Member, Client or Person Subject to the Rules will not be allowed to net positions across Critical and Related Contracts in different metals.
51. In line with MAR 10, to determine its net positions, a Member, Client or Person Subject to the Rules will be required to net its long and short positions held in a Critical Contract and the Related Contracts at an individual entity level ("**position holder**") and those held on its behalf at a group level. If a position benefits from an Exemption, it will not count towards those net positions.
52. In line with MAR 10, the LME's Spot Month Contracts and Other Months' Contracts Regulatory Position Limits will apply to net positions of the Member, Client or Person Subject to the Rules:
  - (a) at an individual entity level; and
  - (b) aggregated with/combined with net positions held on its behalf at group level.
53. In line with MAR 10, the LME's Spot Month Contracts and Other Months' Contracts Regulatory Position Limits will also apply to the parent undertaking of the Member, Client or Person Subject to the Rules. A parent undertaking will be required to determine its net position by aggregating its own net position and the net positions of each of its subsidiary undertakings. The parent undertaking of a manager of a collective investment undertaking will be required not to aggregate positions held in any collective investment undertaking where it does not influence investment decisions in respect of opening, holding or closing of those positions.
54. As a result of the feedback received on its proposed approach to the netting and aggregation of positions as presented in the Update, the LME is revisiting its proposed Rules on netting and aggregation and is proposing an alternative approach.
55. The Rules on netting and aggregation presented below would apply when calculating positions in in Critical and Related Contracts against the relevant Regulatory Position Limit and Accountability Threshold (the latter by virtue of being an early warning mechanism to the Regulatory Position Limit).

#### Netting and aggregation – Option A

56. Given the main risks to market orderliness are in the Spot Month Contracts (as presented in the Update), individual position holders (ie an individual Member, Client or Person Subject to the Rules) and parent undertakings would aggregate their net positions across all Prompt Dates and expiry dates:
  - (a) in the Critical Contract;
  - (b) in each Related Contract independently; and
  - (c) in the Critical and Related Contracts.

**('Option A')**.
57. Option A would mean that in relation to the Spot Month Contracts Regulatory Position Limit, position holders would have to ensure that:



- (a) the net position for each Critical Contract remain below or equal to the Spot Month Contracts Regulatory Position Limit;
  - (b) the net position for each Related Contract remain below or equal to the Spot Month Contracts Regulatory Position Limit; and
  - (c) the aggregate position across the netted Critical Contract and Related Contract positions remains below or equal to the Spot Month Contracts Regulatory Position Limit.
58. For the Other Months' Contracts, position holders and parent undertakings would have to aggregate their net positions across all Prompt Dates and expiry dates in the Critical and Related Contracts. The aggregate position across the netted Critical and Related Contracts positions would have to remain below or equal to the Regulatory Position Limit.

Netting and aggregation – Option B

59. The feedback received from the Update indicates that Option A may create some operational complexities for market participants. The LME therefore proposes a potential alternative to netting and aggregating under Option A for consideration.
60. Under '**Option B**' for the purposes of netting and aggregating positions in each of the Spot Month Contracts or the Other Months' Contracts, position holders and parent undertakings would aggregate their net positions across all relevant Prompt Dates and expiry dates in the Critical and Related Contracts.
61. Members, Clients and Persons Subject to the Rules would remain responsible for ensuring that their positions in each of the Critical Contract and Related Contracts do not create a risk of disorderly pricing or settlement conditions of such Contracts.
62. In line with MAR 10, in the event the LME were to determine the netting of positions in relation to a Related Contract would increase the likelihood of disorderly pricing or settlement conditions, it would contact the relevant Member(s), Person(s) Subject to the Rules and/or Client(s) and prescribe how their positions should be aggregated for the purposes of discharging their obligation to adhere to the Regulatory Position Limit(s).

**Question**

**Q.2: For the purposes of calculating the size of positions in Critical and Related Contracts against a Regulatory Position Limit and an Accountability Threshold, should the LME require that net positions be aggregated via 'Option A' or 'Option B'? Please explain why.**

Indicative Levels of Regulatory Position Limits

63. On the basis of the methodology already outlined in the Update (which will not be repeated in this Consultation to avoid duplication), the LME proposes the following indicative levels of Regulatory Position Limits (**subject to regulatory approval and subject to any further recalibration that may be needed pursuant to the LME's duty under MAR 10 to keep the Limits under review**):

Metal	Regulatory Position Limit - Spot Month Contracts (lots)	Regulatory Position Limit - Other Months' Contracts (lots)
LME Aluminium	30,000 <sup>2</sup>	45,000 <sup>3</sup>
LME Copper	18,000	25,000 <sup>4</sup>

<sup>2</sup> Following 2026 calibration exercise updated from 28,000 lots to 30,000 lots

<sup>3</sup> Following 2026 calibration exercise updated from 44,000 lots to 45,000 lots

<sup>4</sup> Following 2026 calibration exercise updated from 23,000 lots to 25,000 lots



LME Nickel	11,000	14,000 <sup>5</sup>
LME Lead	7,000	8,000
LME Tin	1,000	1,100
LME Zinc	10,000	13,000

64. The LME will publish its final Regulatory Position Limits via Notice. These limits will apply in a non-discriminatory and transparent way to all market participants.

### Question

**Q.3: Do you agree with the LME's proposed levels of Regulatory Position Limits? If not, please explain why.**

#### Monitoring positions against Regulatory Position Limits, notification and information requirements

65. In line with MAR 10, the Regulatory Position Limits will apply to all positions held by any person (including Members, Clients and Persons Subject to the Rules) at all times, regardless of their location at the time of entering into the position. This means that Members, Clients and Persons Subject to the Rules should hold positions below or equal to the proposed Limits, unless a valid Exemption granted by the LME is in place, in which case the position should not exceed the relevant Exemption Ceiling.

#### *Members and Persons Subject to the Rules*

66. The LME proposes that Members and Persons Subject to the Rules shall be required to have appropriate systems to monitor their open positions and to identify where these positions are in excess of the Regulatory Position Limits (and Exemption Ceilings) (in "**breach**") at all times, ie on an intra-day basis. In the event of a Regulatory Position Limits (or an Exemption Ceiling) breach, Members and Persons Subject to the Rules would have to immediately notify the LME as described in the Policy Relating to Regulatory Position Limits and Exemptions.
67. In addition to immediately notifying the LME, the Member or Person Subject to the Rules would be required to provide the LME all relevant details explaining the cause of such breach and their plan to reduce the position below the applicable Limit (or Ceiling as the case may be) in an orderly manner.

#### *Clients*

68. Except where an Exemption applies to a Client's positions, Members would be required to monitor their Clients' positions against a relevant Regulatory Position Limit at all times ie intra-day, and immediately notify the LME if they identify a position which exceeds the Limit on the basis of the information available to them at the time.
69. The LME would also expect Clients to notify it directly of a breach of a Regulatory Position Limit (in particular where it holds positions in Critical and Related Contracts across several Members).
70. Clients would be required to provide the LME (either directly or via their Member) with all reasonable details of the cause of such breach and their plan to reduce the position below the applicable Regulatory Position Limit in an orderly manner.

### Question

**Q.4: Do you agree with the LME's proposed Rules on Regulatory Position Limits? If not, please explain why.**

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<sup>5</sup> Following 2026 calibration exercise updated from 12,000 lots to 14,000



## Section C – LME Powers and Participant Responsibilities

### Background

71. To ensure market orderliness, provide clarity to market participants and to ensure that the LME remains compliant with the FCA rules set out in MAR 10, the LME intends to provide information on its proposals concerning LME powers and market participant responsibilities.

### Proposal

#### Powers of the LME

72. The LME proposes that it would have powers to require any person not to increase a position, or direct them to reduce, terminate or take any other step to manage a position. This power would be exercised either directly (through new proposed Regulation 29 of Part 3) or through the Special Committee (see the proposed amendments to Regulation 17 of Part 3 of the Rulebook). The LME would also have independent powers to grant, modify, or revoke Regulatory Position Limits, Exemptions and Exemption Ceilings, introduce a new, or amend or suspend an existing position management arrangement (eg amending the Lending Rules or introducing a new Exchange Position Limit or amend levels), or take any other measures it considers relevant to promote market orderliness in relation to any metal, Contract or position of any person.
73. The powers of the LME (either directly or through the Special Committee) would be exercisable whether a Regulatory Position Limit, Exemption Ceiling or an Exchange Position Limit is or has been breached or whether a valid Exemption is in place.

#### Members', Clients' and Persons Subject to the Rules' responsibilities

74. The LME proposes new Rules to clarify that Members and Persons Subject to the Rules must ensure that their positions in Critical and Related Contracts are less than or equal to any applicable Regulatory Position Limit (or where applicable an Exemption Ceiling) at all times. In the event of a breach of a Regulatory Position Limit, Members and Persons Subject to the Rules would be solely responsible for reducing their position back below the applicable Regulatory Position Limit without causing any market disorderliness. Members would be responsible and liable for ensuring that their Clients reduce their positions in the same way.
75. The LME also proposes that Members be responsible for ensuring that their Clients and clients of their affiliates deal with the LME in an open and cooperative manner (see proposed amended Regulation 12.6 (m) of Part 2 of the Rulebook). This obligation ties in with the obligation to provide information to the LME and with the amended scope of application of the Client of Concern process (see paragraphs 83 to 93 below). Moreover, Clients should not act in a way that could cause the LME to breach any applicable law or regulation to which it is subject (see proposed amended Regulation 12.6.1 of Part 2 of the Rulebook).
76. In addition, in relation to Clients of Members, where a position held by a Client exceeds a Regulatory Position Limit and/or where a Client fails to comply with a direction via their Member(s) given by the LME (directly or through the Special Committee), this could potentially result in the application of the Client of Concern process. In addition, such actions could potentially lead a Member to be deemed to have breached the Rules. A Member would have breached the Rules if it failed to notify the LME immediately that a Client's position breaches a Regulatory Position Limit (based on the information available to it at the time).
77. As noted in the Update, a breach of a Regulatory Position Limit, Exemption Ceiling or any conditions attached to their Exemption, or breaches of a Rule pertaining to a position management arrangement by a Member or a Person Subject to the Rules and/or a failure to immediately notify the LME of such breach and/or a failure to comply with a direction given by the LME (either directly or through the Special Committee) would be treated as a breach of the Rules and therefore as an Act of Misconduct. Such breaches could be subject to a fixed penalty charge or subject to an Investigation and disciplinary proceedings as outlined in the Rulebook.
78. The same investigatory and disciplinary processes apply to Members in circumstances where Members remain responsible and liable for ensuring that their Clients comply with the Rules. These processes are set out under Regulations 13 and 14 of Part 2 of the Rulebook. The LME will exercise its investigatory and disciplinary powers in circumstances where the breaches are deemed by the LME, in its absolute discretion, to be significant, egregious and/or repeated. More minor breaches will be subject to a Fixed Penalty as described below.



79. Notice 24/135 sets out conduct which constitutes a Fixed Penalty Offence (as defined in Notice 24/135) and the Fixed Penalty (as defined in Notice 24/135) that shall be imposed in respect of each Fixed Penalty Offence. The LME proposes to include breaches by Members and Persons Subject to the Rules of Regulatory Position Limits, Exemption Ceilings or conditions attached to an Exemption, and a failure to comply with any Rule pertaining to a Position Management Control as a Fixed Penalty Offence.
80. The same disciplinary processes apply to Members in circumstances where Members remain responsible and liable for ensuring that their Clients comply with the Rules. The LME believes that it is necessary to include such breaches within its Fixed Penalty regime in order to take swift disciplinary action where necessary while reserving its right to exercise its powers of investigation and further disciplinary action for breaches which it considers to be significant, egregious and/or repeated. The process for imposing a Fixed Penalty in relation to these breaches (including the process for appealing the imposition of a Fixed Penalty) is set out at Annex 4 of the Consultation.
81. Please note that further amendments to the Fixed Penalty Notice are proposed in this Consultation in respect of the Minimum Volume Threshold Rule. Please refer back to the main Consultation Notice.
82. As a result of the proposed amendments described above, the LME also proposes to amend Notice 24/136 (the LME Indicative Penalties Notice). The proposed amendments to the LME Indicative Penalties Notice are contained in Annex 5 to this Consultation.

#### Client of Concern, confidentiality and powers to request information

83. In line with MAR 10, the LME expects all market participants, including non-Members of the LME, to comply with the Regulatory Position Limits, the position management arrangements and the directions made by the LME (either directly or through the Special Committee) including responding to any information request made by the LME.
84. As noted in the Update, to this end the LME proposes to clarify the scope of application of the Client of Concern designation in Regulation 12.10 to 12.10.2 of Part 2 of the Rulebook.
85. The Client of Concern designation is proposed to be amended to make clear that, for instance, where a person has caused the LME to breach any applicable law or regulation to which it is subject; or has failed to comply with any direction made by the LME (directly or through the Special Committee); or provided to the LME information which is incomplete, inaccurate, late or has refused to provide information; or is holding or has held positions across one or more Members the total of which is in excess of a Regulatory Position Limit, or any other threshold set out elsewhere in the Rules; the LME may designate such person as a Client of Concern.
86. To be clear a Person Subject to the Rules could be designated as a Client of Concern.
87. Once a person is designated as a Client of Concern, the LME may direct Members to take a number of actions against such person such as set out in the Rules including, without limitation ceasing to accept new orders from the Client either entirely or for specified contracts/maturities, reducing the person's existing positions up to closing-out such position within defined timeframes or suspending or terminating clearing arrangements with the person.
88. The LME is proposing to amend its powers to request information in Regulation 12.1.4 of Part 2 of the Rulebook so that it reflects its current practice of requesting information (via the Member) on clients of their affiliates. This proposed amendment reflects the fact that Members already currently provide the LME with such information including, in particular, information on positions held by clients of affiliates.
89. The LME is proposing to add a new Regulation 12.1.5 of Part 2 of the Rulebook to clarify that the LME may request information (via the Member) in relation to any beneficial owner of a position. To accommodate potential operational and legal practicalities Members would be under a "best efforts" obligation to obtain such information in line with their existing obligation to cooperate with the LME under Reg 12.6 (m) of Part 2 of the Rulebook. Where despite best efforts, the Member is unable to provide the requested information due to applicable laws, the LME would expect the Member to provide reasonable detail as to why it cannot provide the relevant information and outline the steps undertaken.
90. The proposed amendment to Regulation 12.1.4 and new regulation 12.1.5 of Part 2 of the Rulebook should be understood in the context of a new proposed type of breach set out in Regulation 12.10 of Part 2 of the Rulebook triggering the application of the Client of Concern process (the provision to the



LME of information which is false, misleading, incomplete, inaccurate, late or the refusal to provide the requested information).

91. The LME is also amending its Rules on confidentiality in Regulation 21 of Part 2 of the Rules to (i) clarify and update them, (ii) ensure they are in line with the FCA rules in MAR 10 and adequately maintain the confidentiality of any information the LME may receive in relation to any person when it performs any of its functions and (iii) ensure that, in order to perform these functions, it can disclose any Confidential Information to any third party (eg Clearing Members of the Client or a Regulator) it deems relevant.
92. In particular, the LME is proposing that where a person holds positions across more than one Member, the LME may disclose Confidential Information pertaining to that person to all Members (or a subset of Members) which hold positions for that person where, in its opinion, such disclosure is relevant for the purposes of (i) managing positions (eg where as a result of a person's excessive positions, the LME directs a Member not to increase a position), or (ii) enforcing any Rule (eg those relating to Regulatory Position Limits or Exemptions or the Lending Rules), (iii) promoting or maintaining market orderliness or (iv) complying with its regulatory obligations including under the FCA's rules set out in MAR 10.
93. The LME is also proposing that where a person has been deemed by the LME to be a Client of Concern the LME may disclose Confidential Information pertaining to that person to all Members (or a subset of Members) irrespective of whether such Members hold positions for that person where, in the opinion of the LME, such disclosure is relevant for the same purposes as those set out above. A Client or any other person (ie direct or indirect client of a Member) refusing to provide information requested by the LME or providing late, false, misleading, inaccurate or incomplete information may be deemed by the LME to be a Client of Concern under the Rulebook.

#### **Question**

- Q.5: Do you agree with the LME's proposed powers, the responsibilities of Members and Persons Subject to the Rules, and clarification of the LME's disciplinary powers to enforce the new regime pertaining to Regulatory Position Limits, Exemptions, Exemption Ceilings and position management arrangements? If not, please explain why.**



## Section D – Exemptions and Exemption Ceilings

### Background

94. Under MAR 10 the LME may grant Exemptions to its Regulatory Position Limits and set Exemption Ceilings to market participants if they are Financial Entities (**FEs**) or Non-Financial Entities (**NFEs**). The LME Rules on Exemptions and Exemption Ceilings are mainly set out in the proposed new Policy Relating to Regulatory Position Limits and Exemptions.
95. The LME will deal with all Exemption applications in a fair, reasonable and non-discriminatory manner.
96. As explained in the Update the LME is intending to offer (i) the Hedging Exemption, (ii) the Pass-Through Hedging Exemption and (iii) the Liquidity Provider Exemption.
97. The proposed criteria to obtain these Exemptions reflect the requirements of MAR 10 and are set out in more detail in the Policy Relating to Regulatory Position Limits and Exemptions. That said, we note that for the purpose of the Hedging Exemption, the LME would not consider an Exemption application where the participant wishes to remain anonymous. This is due to the inability of the LME to validate the documentation and evidence which would be required to satisfy the requirements of the application. For the purpose of the Pass-Through Hedging Exemption, the LME would not accept Exemption applications conducted by a Member on behalf of anonymised entities.

### Proposal

#### All Exemptions and Exemption Ceilings

98. The LME expects that any person (including Members, Clients and Persons Subject to the Rules) will review their positions against the LME's Regulatory Position Limits and Accountability Thresholds. All market participants will be responsible for applying to the LME for an Exemption where available and requesting a specific level of Exemption Ceiling. The LME may, where a position goes above the Accountability Thresholds and where the position holder does not already have an Exemption, contact the position holder concerned and ask whether they are considering applying for an Exemption.
99. To benefit from an Exemption (and corresponding Ceiling) a non-Member of the LME would have to agree to become a Person Subject to the Rules. See Section A of this Consultation.
100. Where granted, Exemptions and Ceilings will apply to each individual Critical Contract and Related Contract per metal and per period (Spot Month Contracts or Other Months' Contracts) to which a Regulatory Position Limit applies.
101. Once granted, an Exemption Holder would have to comply at all times with its Exemption Ceiling and any other applicable Rules or conditions of its Exemption. The Exemption Holder would have to monitor its positions at all times against the applicable Exemption Ceiling. Exemptions would not be transferrable.
102. The LME would, on a discretionary basis, be able to extend the validity period of an Exemption beyond 12 months for a limited period of time where, in its opinion such extension is necessary or desirable to either maintain market orderliness or to otherwise enable it to comply with its regulatory obligations.
103. Exempt Positions shall not count towards the net position held at an individual entity (position holder) level or at an aggregated group (parent undertaking) level with respect to Regulatory Position Limits.

#### Application

104. A person wishing to apply for an Exemption would be required to apply in their own name and would not be able to use another legal entity or natural person to do so.
105. An applicant would be able to use one form to apply for multiple Exemptions for several Critical Contracts and their Related Contracts (per metal and period), provided that these relate to the same type of Exemption (ie Hedging Exemption or the Pass-Through Exemption). The same would apply where an Exemption Holder applies to renew its Exemptions.
106. The LME shall assess Exemption applications and proposed levels of Exemption Ceilings in line with the criteria set out in the proposed Policy on Regulatory Position Limits and Exemptions.



### Timeline and duration of an Exemption

107. As stated in the Update, the LME intends to be ready to accept and process Exemption requests from April 2026. Members and Non-Members should submit their application for an Exemption by 1 June 2026 and the LME will use its best endeavours to process applications in time for the 6 July 2026 go-live date.
108. Exemptions and Exemption Ceilings would be effective for a period of 12 months. Applicants seeking to re-apply for an Exemption ahead of the 12-month expiry would be responsible for providing an updated Exemption Application with all necessary updated information with sufficient time for the LME to undertake appropriate analysis. An Exemption would remain valid until it expires or the LME revokes it.

### Information

109. Applicants would provide any documentary evidence and data they deem relevant in support of their application as well as provide any such information requested by the LME to help it assess the application. Applicants would, in particular, have to describe how they will ensure that their exempt positions would be subject to appropriate management controls and oversight.
110. The proposed Policy Relating to Regulatory Position Limits and Exemptions sets out the information that is required for the specific exemption types.

### Notification and conditions

111. All Exemptions would be subject to at least the following notification requirements:
  - (a) The Exemption Holder would be required to notify their Member(s) in writing, without delay, that they have an Exemption, the expiry date of the Exemption, the type of Exemption and the proportion of their position with that Member which benefits from the Exemption. Except where all (100%) of its positions benefit from a valid Exemption, an Exemption Holder would be required to communicate to its Member on a daily basis the proportion of each close of business position which benefits from an Exemption. This would be to ensure that their Member(s) can appropriately report their positions to the LME in accordance with the Policy Relating to Position Management Arrangements and such that the Member can accurately reflect Exempt Positions within their reporting each business date.
  - (b) Exemption Holders would have to notify the LME of certain events as required under their Exemption (reflecting the FCA rules in MAR 10).
112. In the event the total positions of an Exemption Holder breach an Exemption Ceiling, or in the event the Exemption Holder breaches any condition of its Exemption, the Exemption Holder would be required to notify the LME directly and immediately and provide the LME with reasonable details of the cause of such breach and the Exemption Holder's plans to remedy the breach in an orderly manner.
113. The LME would subject all Exemptions to a number of conditions. Those conditions are listed in the proposed draft Policy Relating to Regulatory Position Limits and Exemptions.
114. A breach of a condition by an Exemption Holder may lead to the revocation of its Exemption by the LME.

### Revocation and modification of Exemptions and Exemption Ceilings

115. The LME would have the right to unilaterally revoke an Exemption or modify the level of an Exemption Ceiling (or a condition of an Exemption) where it reasonably believes that (i) an Exemption Holder has breached a condition of its Exemption, (ii) its total positions have exceeded its Exemption Ceiling or (iii) the Exemption Holder has breached any other applicable Rule, in each case irrespective of whether that breach is ongoing at the time of the LME's decision to revoke or modify.
116. Where there is no Rule breach, the LME would have the right to revoke an Exemption or modify the level of an Exemption Ceiling where:
  - (a) the LME determines that such Exemption may present a risk to market orderliness; or
  - (b) there has been a significant change to the information provided to the LME during the application process.
117. The LME would promptly notify the Exemption Holder of the revocation or modification of an Exemption, level of an Exemption Ceiling or condition thereof. In the case of a Person Subject to the Rules, the LME



could notify relevant Members of such revocation or modification in accordance with Regulation 21 of Part 2 of the Rulebook.

118. If the LME were to revoke or modify an Exemption, Exemption Ceiling and/or any condition attached to such Exemption, the Exemption Holder would remain solely responsible for managing their positions in an orderly way to ensure they are equal to or below the Regulatory Position Limit before the date of revocation of their Exemption is effective. The LME could require the Exemption Holder to provide details as to how they intend to achieve this and the Exemption Holder would have to promptly provide such details.

#### Exemption Ceilings

119. Applicants would have to propose in their application a specific level of Exemption Ceiling and the LME would decide on the exact level of Ceiling it would grant for the purposes of any Exemption. The LME would ensure that Exemption Ceiling is set at a level which it considers appropriate and sufficient to mitigate the risk that large positions normally pose to the orderly pricing and settlement of a Critical Contract or Related Contracts.
120. The LME would determine Exemption Ceilings on a case-by-case basis, taking into account information provided by the applicant in the application form and other relevant factors set out in the proposed Policy Relating to Regulatory Position Limits and Exemptions.

#### **Question**

**Q.6: Do you agree with the LME's proposed Rules on Exemptions and Exemption Ceilings? If not, please explain why.**



## Section E – Position Management Arrangements

### Background

121. The LME has carefully examined the new requirements under the FCA's rules in MAR 10 in relation to position management arrangements. The LME will continue to make new position management arrangements on a temporary (either directly or through the Special Committee) or permanent basis, or amend or withdraw existing ones. The current suite of position management arrangements will be retained, while adapting some controls to ensure they are in line with the requirements of the new regime.

### Proposal

#### Position management arrangements with no changes

122. The following (and currently applicable) position management arrangements will remain unchanged on and after 6 July 2026:

- (a) the monitoring of stock movement;
- (b) the Lending Rules (as amended by Decision Notice 26/049);
- (c) the reporting warrant financing arrangements;
- (d) the backwardation cap;
- (e) the deferred delivery mechanism;
- (f) the Position Limits (proposed to be renamed "Exchange Position Limits"), and
- (g) the OTC weekly reporting regime.

123. The Rules set out in the Rulebook and in the existing Policy Relating to Position Management Arrangements are proposed to be amended to reflect that "Persons Subject to the Rules" would be subject to:

- (a) the Lending Rules;
- (b) the Backwardation Cap;
- (c) the Exchange Position Limits; and
- (d) the Accountability Thresholds.

124. The Rules on Accountability Thresholds will continue to apply to OTC contracts. They are proposed to be amended further to reflect the new requirements in the FCA's rules in MAR 10. The rules on daily position reporting for Exchange traded positions are also proposed to be amended to reflect the new FCA requirements.

#### Daily position reporting: changes to the Commodity Position Report (CPR)

125. Members will continue to provide a daily Commodity Position Report (**CPR**) to the LME for all open Exchange traded positions as at close of business. Members will submit these position reports to the LME's Universal Data Gateway (**UDG**) via Secure File Transfer Protocol (**SFTP**) before 08:30 (UK time) the next business day (T+1) in accordance with the ITS 4 commodity position reporting schema up until the FCA/LME new schemas take effect from 6 July 2026 as noted in the Update. CPR files received by the LME will be validated and onward reported to the FCA each Business Day, to satisfy the LME's regulatory reporting obligations.

126. Members will continue to compile these reports on the basis of all Clients who hold Client Contracts. Members continue to be responsible for correctly allocating positions against the correct 'position holder', 'ultimate parent entity' and identifying where the positions of a collective investment undertaking should or should not be aggregated based on investment decisions in respect of opening, holding or closing of positions.

127. For each of the Member proprietary or Client accounts, Members must continue to report net market positions by an International Securities Identification Number (**ISIN**). Each metal and Prompt Date for



Futures Contracts, Option date, Option type and Strike Price for Options Contracts must have their own unique ISIN.

128. Trades that remain unmatched at close of business will not be included in a Member's position reports the next day. Only on-Exchange positions must be reported in CPR submissions. Any separate OTC reporting references contained in UDG documentation will not alter the scope of the CPR which remains limited to on-Exchange positions.
129. Members must report positions which are eligible for Exemptions by the type of Exemptions which they are eligible for. Members must separate underlying positions between those for which an Exemption is applicable from those for which no Exemption is applicable.
130. Members remain responsible for the accuracy and completeness of the data and timely submission to the LME irrespective of whether they have delegated the calculation and transmission of their CPR file to a third party.
131. Failure to report CPR files in an accurate and timely manner will continue to result in disciplinary action being taken by the LME<sup>6</sup>. As a general rule, the LME will look to take action against a Member where errors and/or late submissions were observed on five (5) or more days within a calendar month, but each failure will be assessed based on the relevant facts. As noted in the Update, the LME will place an increased emphasis on the quality of the data reported in CPRs: where Members submit positions that fail mandatory data validations, the LME regulatory reporting team will contact the relevant Members to instruct them to make the necessary corrections and re-submit their CPR. Members must ensure they have appropriate controls and processes in place to meet the requirements of the additional data validations.
132. As noted in the Update, and in compliance with MAR 10.4.8 D and the FCA's clarificatory statements in PS25/1, the LME proposes to make clear in its Rules that any position reporting must go as far as possible down the contractual chain and identify each and every end-client in all circumstances. For position, order and trade data, the LME proposes therefore that Members report the identity of the underlying position holding entity (rather than reporting the identity of an intermediary or affiliate). Members may have to adapt their processes to report this information.
133. There will be no change to the Commitment of Traders report "COTR".
134. In addition to the above, the LME also proposes to amend Notice 24/137 (Automatic Penalty Charges for Commodity Position Report and Warrant Management Failures). The proposed amendments seek to clarify the circumstances in which the LME may conduct investigations into commodity position reporting failures. These amendments are set out at Annex 6 of this Consultation.

#### "Accountability Thresholds"

135. The LME currently applies "Accountability Levels" which are set in Schedule 2 of Notice 25/117. The current Accountability Levels apply to positions in on-Exchange and OTC contracts. Members and their Client may (unless directed by the LME to do otherwise) hold positions that are in excess of the applicable Accountability Level.
136. As announced in the Update, to implement the new FCA MAR 10 Rules, the LME proposes to withdraw its current Accountability Levels and replace them with "Accountability Thresholds". Like Accountability Levels, the new Accountability Thresholds would act as an early warning mechanism in relation to positions held by any person in Critical and Related Contracts ("**LME Contract**") and OTC contracts and enable the LME to identify positions that relate to inadequate or inappropriate risk management strategies and take appropriate action.
137. As noted in the Update, the LME intends to apply Accountability Thresholds at 3 different points on the curve of a contract, ie Spot Month Contracts, Other Months' Contracts, and "Maximum Cumulative Full Curve" (compared to the current Accountability Levels which apply to a single Prompt Date and all Prompt Dates) to LME Contract and OTC positions.
138. The maximum cumulative would aim to identify risks by taking the maximum cumulative (aggregated) positions across the full curve (including the Spot Month Contracts and Other Months' Contracts periods)

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<sup>6</sup> In line with [LME Notice 24/137 - Automatic Penalty Charges for Commodity Position Report and Warrant Management Failures](#).



in order to identify the risk in concentrated positions which otherwise are not captured by the Spot Month Contracts and Other Months' Contracts Accountability Thresholds operating separately. While the maximum cumulative (full curve) is not mandated by the new regime, the LME nevertheless believes that introducing it would appropriately allow it to monitor risk across the whole curve and seek from participants further information with regards to positions across the Spot Month Contracts and Other Months' Contracts.

139. Given their role as an early warning mechanism, the LME proposes to set all Accountability Thresholds below the respective Regulatory Position Limits to ensure a sufficient buffer for risk assessment and remedial action.
140. While the FCA MAR 10 Rules enable a UK trading venue operator to exclude Exempt positions, the LME believes that all positions, including those benefiting from an Exemption from Regulatory Position Limits, should be monitored, and assessed from an orderly market perspective. The LME intends therefore to apply Accountability Thresholds to Exempt positions.
141. The LME can currently query any position (whether LME Contract or OTC positions) and intends to continue to do so once the new regime comes into force. This means that on and after 6 July 2026, the LME may ask a position holder questions surrounding its intentions ie whether they intend to go to delivery, and for Exemption Holders, how the position is aligned to the described risk management approach outlined in their Exemption application. The LME would also challenge where a position exceeds an Accountability Threshold but does not fit with the evidence provided in the Exemption application.

#### Netting and aggregation in relation to Accountability Thresholds

##### ***Calculating the size of positions in LME Contracts against Accountability Thresholds (Options A and B)***

142. As noted in the Update, in relation to applying Accountability Thresholds to Critical and Related Contracts, the LME proposes to use the same netting and aggregation methodology as the one used for Regulatory Position Limits.
143. To this effect, the amended Policy Relating to Position Management Arrangements contain the same 'Option A' and 'Option B' as those set out in the Policy Relating to Regulatory Position Limits and Exemptions (which are being consulted on and apply to the netting and aggregation of Critical and Related Contracts for the purposes of calculating the size of positions against the applicable Regulatory Position Limit). Please refer back to Section B of this Consultation.

##### ***Calculating the size of positions in OTC contracts against Accountability Thresholds (Options C and D)***

144. The LME has set out a choice of netting and aggregation methodology in respect of the application of Accountability Thresholds to OTC contracts in the amended Policy Relating to Position Management Arrangements. The LME is interested in Members' and market participants' views on 'Option C' and 'Option D' respectively.
145. '**Option C**' would mean that the Spot Month Contracts Accountability Threshold for OTC contracts would apply to all relevant prompt dates and expiry dates of:
  - (a) the net position for LME-lookalike contracts;<sup>7</sup>
  - (b) the net position all other OTC contracts (eg swaps, options, averages, etc.);<sup>8</sup> and

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<sup>7</sup> See definition of "LME-lookalike contracts" in the Financial OTC Booking Fee ("FOTCBF") Policy ie "*any relevant OTC contract which has equivalent risk to an LME Contract, whether financially or physically settled and which is not an option. The Exchange will make the above determination in its absolute discretion*".

<sup>8</sup> As noted in paragraph 29 (b) of LME Notice 22/161 of 17 June 2022, the concept of "over-the-counter contract" used in Regulation 24 of Part 2 of the LME Rulebook (on OTC Weekly Reporting) and used for the purposes of Accountability Thresholds is broader than the



(c) the aggregate position in all OTC contracts.

146. For the Other Months' Contracts period, Accountability Threshold for OTC contracts would apply to the aggregate position in all OTC contracts.
147. 'Option D' would mean that for the purposes of netting and aggregating positions in each of the Spot Month Contracts or the Other Months' Contracts with respect to Accountability Thresholds for OTC contracts the LME would aggregate net positions across all relevant Prompt Dates and expiry dates in all OTC contracts.

#### Question

**Q.7: For the purposes of calculating the size of positions in OTC contracts against an Accountability Threshold, should the LME require that net positions be aggregated via 'Option C' or 'Option D'? Please explain why.**

#### ***Calculating the aggregated size of positions in futures (LME Contract and OTC contracts) against Accountability Thresholds (Options E and F)***

148. The LME has set out a choice of netting and aggregation methodology in respect of the application of Accountability Thresholds to aggregated LME Contracts and OTC contracts in the amended Policy Relating to Position Management Arrangements. The LME is interested in Members' and market participants' views on 'Option E' and 'Option F' respectively.
149. 'Option E' would mean that the Spot Month Contracts Accountability Threshold for LME Contracts and OTC contracts would apply to all relevant prompt dates and expiry dates of:
- (a) in the Critical Contract (LME Contracts) and LME-lookalikes (OTC contracts);
  - (b) in Related Contracts (LME Contracts) and other OTC contracts (eg swaps, options, averages, etc.); and
  - (c) in Critical and Related Contracts (LME Contracts) and all OTC contracts.
150. For the Other Months' Contracts period, Accountability Threshold for OTC contracts would apply to the aggregate position in all LME Contracts and all OTC contracts.
151. 'Option F' would mean that for the purposes of netting and aggregating positions in each of the Spot Month Contracts or the Other Months' Contracts with respect to Accountability Thresholds for LME Contracts and OTC contracts the LME would aggregate net positions across all relevant Prompt Dates and expiry dates in all LME Contracts and all OTC contracts.

#### Question

**Q.8: For the purposes of calculating the size of positions in LME Contracts and OTC contracts against an Accountability Threshold, should the LME require that net positions be aggregated via 'Option E' or 'Option F'? Please explain why.**

#### Remedial actions where a position is above an Accountability Threshold

152. Where a position in LME Contracts or in OTC contracts is above an Accountability Threshold, the LME would typically request from Members and/or Persons Subject to the Rules, to provide additional information in relation to the positions either directly or (in the case of Members on behalf of their Client(s)).

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concept of "LME-lookalike contracts" and even broader than the concept of "Relevant OTC Contract" defined in para 3.1 of the FOTCBF policy.



153. The LME may request information as to the nature and purpose of the position or, if appropriate, linked accounts as determined by the LME. Where appropriate, a Member would have to ensure that its Client provides all requested information (preferably directly) to the LME.
154. Normally, the LME would seek to directly contact the position holder who is not a Member or a Person Subject to the Rules where their position exceeds an Accountability Threshold. However, where the position holder does not respond or promptly comply with the LME's queries, the LME would have to direct its queries and/or issue directions to the relevant Member(s). Such actions may require the LME to provide them with Confidential Information on the position holder's positions. The confidentiality provisions in Regulation 21 Part 2 of the Rulebook are proposed to be amended to reflect this practical requirement. A Client or any other person (ie direct or indirect client of the Member) refusing to provide information requested by the LME or providing late, false, misleading, inaccurate or incomplete information may be deemed by the Exchange to be a Client of Concern under the Rulebook.
155. In addition to requesting more information, the LME would conduct a risk assessment taking into account factors such as credit rating, position size, and historical risk management behaviour. The outcome of this risk assessment may result in the LME (directly or through the Special Committee) taking a number of actions using its powers under the Rules.
156. Where a position holder exceeds the Accountability Thresholds and does not have an Exemption in place with the LME, the LME may ask the position holder whether they are considering applying for an Exemption.

Indicative Accountability Thresholds

157. The levels of Accountability Thresholds proposed below are subject to regulatory review. The final level of Accountability Thresholds will be published in due course, and the LME will keep the market updated.

Metal	Spot Month Contracts Accountability Thresholds (lots)	Other Months' Contracts Accountability Thresholds (lots)	Max Cumulative Accountability Threshold (lots)
LME Aluminium	15,000 <sup>9</sup>	22,500 <sup>10</sup>	22,500 <sup>11</sup>
LME Copper	9,000	12,500 <sup>12</sup>	12,500 <sup>13</sup>
LME Nickel	5,500	7,000 <sup>14</sup>	7,000 <sup>15</sup>
LME Lead	3,500	4,000	4,000
LME Tin	500	550	550
LME Zinc	5,000	6,500	6,500

**Questions**

**Q.9: Do you agree with the LME's proposed Rules on Accountability Thresholds? If not, please explain why.**

<sup>9</sup> Following 2026 calibration exercise updated from 14,000 lots to 15,000 lots

<sup>10</sup> Following 2026 calibration exercise updated from 22,000 lots to 22,500 lots

<sup>11</sup> Following 2026 calibration exercise updated from 22,000 lots to 22,500 lots

<sup>12</sup> Following 2026 calibration exercise updated from 11,500 lots to 12,500 lots

<sup>13</sup> Following 2026 calibration exercise updated from 11,500 lots to 12,500 lots

<sup>14</sup> Following 2026 calibration exercise updated from 6,000 lots to 7,000 lots

<sup>15</sup> Following 2026 calibration exercise updated from 6,000 lots to 7,000 lots



**Q.10: Please provide any other comment you may have on the LME's proposed implementation of the MAR 10 rules.**



## **PART 2 - Decommissioning the SFPA and amendments to the Matching Rules and the Fixed Penalties Notice**

### **Structure of Part 2**

158. In Part 2 of this Consultation, the LME seeks views on the proposed changes to the Rulebook and other Rules in the areas below:

- Section A: SFPA decommissioning;
- Section B: Amendments to the Matching Rules;
- Section C: Amendments to the Fixed Penalty Notice.

159. The questions asked in Part 2 of this Consultation are:

**Q.11:** Do you consider that the decommissioning of the SFPA will have any negative operational or transitional impact? If so, please explain why.

**Q.12:** Do you consider that the decommissioning of the SFPA will have any data usage implications? If so, please explain why.

**Q.13:** Do you have any other comments on the proposal to decommission the SFPA? If so, please provide comments.

**Q.14:** In relation to the proposed changes to the Matching Rules, do you consider that removing the requirement from having a four-way agreement to document a Metal Position Exchange will negatively affect the process? If so, please explain why.

**Q.15:** In relation to the proposed changes to the Matching Rules, do you consider that removing the “commercial user” requirement will negatively impact your ability to execute Metal Position Exchanges on behalf of Clients? If so, please explain why.

**Q.16:** Do you have any other comments on the proposal to amend the Matching Rules? If so, please provide comments.

**Q.17:** Do you agree with the LME’s approach to treating breaches of the MVT Rule as a Fixed Penalty? If not, please explain why.

**Q.18:** Do you agree with the level of Fixed Penalty in respect of a breach of the MVT Rule? If not, please explain why.

**Q.19:** Do you have any other comments on the proposal treating breaches of the MVT Rule as a Fixed Penalty? If so, please provide comments.



## Section A - SFPA Decommissioning

### Background

160. The LME introduced the SFPA by LME Decision Notice 20/217<sup>16</sup> in light of Commission Delegated Regulation (EU) No 2017/583, which expanded MiFID transparency requirements to derivatives. The SFPA went live on 30 November 2020 to ensure pre-trade transparency requirements were achieved on the inter-office market.
161. The SFPA requires certain trades on the inter-office market to go through an automatic Fixed Price Auction in LMEsmart, meaning that for certain orders, Members cannot provide a firm price to Clients until the price has been made transparent to the market by using the SFPA solution. Further information is provided by the LME on its website.<sup>17</sup>
162. As part of the Wholesale Markets Review, the FCA set out in its Policy Statement for Improving Transparency for Bond and Derivatives Markets (“**PS 24/14**”) new rules in Chapter 11 of the Market Conduct sourcebook (“**MAR 11**”) that streamline pre-trade transparency requirements across UK trading venues. Notably, for “category 2 instruments”<sup>18</sup>, the FCA has limited the types of systems for which pre-trade transparency information must be published by a UK trading venue operator to:
- (a) continuous auction order book trading system;
  - (b) quote-driven trading system; and
  - (c) periodic auction trading system.<sup>19</sup>
163. Given that under MAR 11 rules Contracts are category 2 instruments and that the Ring and the inter-office market are not systems for which pre-trade transparency information is mandated, the LME considers that no pre-trade transparency information should be published. Instead, under MAR 11, the LME is now expected to calibrate transparency to support fair and orderly trading and efficient price formation.

### Proposed SFPA Rule changes

164. To align with PS 24/14 and MAR 11, the LME proposes to decommission the SFPA to reflect the FCA’s revised framework and the LME’s commitment to maintain regulatory alignment and operational efficiency.

### Rulebook

165. To effect this change, the LME proposes amending the following Regulations in Part 3 of the Rulebook (please refer to the amended version of the Rulebook in Annex 1):
- (a) **Regulation 2.2.3:**
    - i. Removal of paragraph (b), which defines an Agreed Trade in the context of initiating a Fixed Price Auction; and
    - ii. Removal of the following explanatory paragraph which outlines the treatment of Agreed Trades in the context of a Fixed Price Auction.
  - (b) **Regulation 2.5:**
    - i. **Regulation 2.5.1(c)** (removed): this regulation prevents execution of an Agreed Trade unless a Fixed Price Auction has been completed.
    - ii. **Regulation 2.5.1(d)** (amended): the reference to Regulation 2.5.1(c) is removed to reflect the deletion of the SFPA requirement.

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<sup>16</sup> <https://www.lme.com/-/media/Files/Company/Market-regulation/Pre-trade-transparency/20-217-Decision-Notice-Pre-Trade-Transparency-and-Miscellaneous-Amendments-to-the-LME-Rulebook.pdf>

<sup>17</sup> [Pre trade transparency | London Metal Exchange](#)

<sup>18</sup> In PS 24/14, the FCA defines a category 2 Instrument as: “a debt security, derivative, structured finance product or emission allowance which is not a category 1 instrument.”

<sup>19</sup> See MAR 11.2.1 R and MAR 11.2.2 R.



- iii. **Regulation 2.5.2(d)** (removed): the Execution of an Agreed Trade arranged by a Registered Intermediating Broker will no longer depend on the completion of a Fixed Price Auction, and the related obligation to submit PTT Orders is removed.
  - iv. **Regulation 2.5.2(e)** (amended): all references to the Fixed Price Auction process and obligations on Registered Intermediating Brokers are removed.
  - v. **Regulation 2.5.3** (removed): this Regulation restricts Registered Intermediating Brokers from submitting bids or offers to a Fixed Price Auction.
- (c) **Regulation 2.15** (removed): (Pre-Trade Transparency for inter-office market trades: Fixed Price Auction) which sets out the SFPA framework is now redundant and has been removed.
- (d) **Regulation 3.5.1(c)(iii)** (amended): by way of consequential amendment, this sub-paragraph will be amended to remove references to PTT Orders and Pre-Trade Communications.

166. The LME is also proposing to amend/delete a number of glossary definitions pertaining to the SFPA set out in Part 1 of the Rulebook.

#### Matching Rules

167. The LME proposes the following amendments to the Matching Rules as they are linked to the SFPA process (please refer to Annex 7 to see the proposed changes to the Matching Rules):

- (a) **Paragraph 14 – Normal**: the “Normal” post-trade category has been amended to remove the reference to Fixed Price Auctions;
- (b) **Paragraph 16 – Inter-office**: the “Inter-office” venue code has been amended to remove the reference to the Fixed Price Auction;
- (c) **Paragraph 22 – Trade Submission Deadlines**: the last sentence has been removed as it refers to an Agreed Trade comprising of a PTT Order and is therefore no longer relevant;
- (d) **Paragraph 23, Footnote 4**: the footnote under the “Inter-office” Trade Time field has been amended to remove the reference to Fixed Price Auctions; and
- (e) **Paragraphs 69-75**: these paragraphs in relation to Fixed Price Auctions, Pre-Trade Transparency, Auction End, and Out of Scope Orders have been removed entirely.

168. The decommissioning of the SFPA is not expected to materially impact Members or Clients as usage of the mechanism has declined and most inter-office activity now occurs via bilateral channels.

169. Market data users should note that the removal of the SFPA will result in the cessation of related data outputs or being rejected when received outside of the auction period.

170. As outlined in the recent LME XML Feed Notice and Member Communication, the Post-Trade Transparency XML was updated on 1 December 2025 to address the changes required by PS 24/14.

171. In addition, the update frequency of the feed, currently set at 5-minute intervals, is under review. The LME will communicate any changes to the frequency in due course.

#### **Questions**

**Q.11: Do you consider that the decommissioning of the SFPA will have any negative operational or transitional impact? If so, please explain why.**

**Q.12: Do you consider that the decommissioning of the SFPA will have any data usage implications? If so, please explain why.**

**Q.13: Do you have any other comments on the proposal to decommission the SFPA? If so, please provide comments.**



## Section B - Amendments to the Matching Rules

### Background

172. In light of Member feedback and to simplify the Matching Rules under the Metal Position Exchange post-trade transfer category, the LME proposes to make minor amendments to Paragraph 30 of the LME Matching Rules. The LME currently takes a prescriptive approach towards market participants wishing to use this post-trade category. However, going forward, the LME proposes to take a less prescriptive approach thereby making the rule easier to follow.

### Proposed Metal Position Exchange Changes

173. To make the rules applicable to the Metal Position Exchange simpler, in this section of the Consultation, the LME proposes to make the following changes.

#### Documentation

174. The LME currently requires market participants wishing to execute a Metal Position Exchange to enter into a four-way agreement. The LME proposes removing this requirement. Instead, participants would be required to execute the transaction under an agreement appropriate to its nature, provided that the LME is able to review the agreement to confirm compliance with the Matching Rules. Please see Paragraph 30 of the Matching Rules as set out in Annex 7 for further information.

#### “Commercial user” requirement

175. The LME currently requires Members executing a Metal Position Exchange on behalf of a Client to ensure that the Client is a “*commercial user of the metal concerned*.” The LME acknowledges that this requirement has caused uncertainty for some Members. To simplify the rule, the LME proposes replacing the “commercial user” test with a requirement that the Client can lawfully enter a commodity derivatives transaction under English law. In practice, this means the Client must be appropriately authorised under Part 4A of the Financial Services and Markets Act 2000, be exempt under UK MiFID or benefit from an exclusion under the RAO<sup>20</sup> from such an authorisation requirement. Clients should also ensure that they can lawfully enter into such agreement under the laws of their local jurisdiction if applicable. Please see Paragraph 30 of the Matching Rules as set out in Annex 7.

### Questions

**Q.14: Do you consider that removing the requirement from having a four-way agreement to document a Metal Position Exchange will negatively affect the process? If so, please explain why.**

**Q.15: Do you consider that removing the “commercial user” requirement will negatively impact your ability to execute Metal Position Exchanges on behalf of Clients? If so, please explain why.**

**Q.16: Do you have any other comments on the proposal to amend the Matching Rules? If so, please provide comments.**

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<sup>20</sup> The Financial Services and Markets Act 2000 (Regulated Activities) Order 2001.



## Section C - Amendments to the Fixed Penalty Notice

### Background

176. This section of the Consultation should be read in conjunction with LME Notice 25/149 (“**Decision Notice on Enhancing Liquidity**”) and LME Notice 25/082. In the Decision Notice on Enhancing Liquidity the LME announced that it planned to introduce the MVT Rule into the Rulebook on 30 March 2026.
177. As outlined in the Decision Notice on Enhancing Liquidity, the LME responded to the feedback on the MVT Rule in Consultation Notice 25/083 by adopting a simplified operational approach towards the implementation of the MVT Rule. In particular, to reduce the impact on Members’ and independent software vendors’ systems, the LME has removed the requirement for Members to book exemptions using separate trade categories. Instead, the LME has chosen to strengthen its auditing processes, both in frequency and scope, to ensure continued compliance with the MVT Rule. In that regard, the LME reminds Members that it has powers to request information, including information on any trade data, under Regulation 12.1.3, Part 2 of the Rulebook and that Members will be required to maintain accurate, complete and accessibly formatted records of all Agreed Trades evidencing compliance with the MVT Rule under Regulation 3.7.1 of Part 3 of the Rulebook.

### Proposed Fixed Penalty Notice Amendments

178. This section of the Consultation seeks to amend the Fixed Penalty Notice for the purposes of enforcing the MVT Rule. A draft version of the Fixed Penalty Notice can be found at Annex 4.
179. Failure to provide a complete and accurate set of data and/or records in the manner and within the timeline prescribed by the LME for the purposes of evidencing compliance with the MVT Rule or any other breaches of the MVT Rule would be treated as a “Fixed Penalty Offence” and subject to a “Fixed Penalty” (these terms are defined in the Fixed Penalty Notice – see Annex 4).
180. A Member who commits such breaches would be subject to a Fixed Penalty as set out below:
- £5,000 for a first breach;
  - £10,000 for a second breach; and
  - £15,000 for each breach thereafter within a 24-month rolling period (starting from the first breach).
181. As already noted in the Fixed Penalty Notice, the LME would maintain its right to open an investigation pursuant to its powers under Regulation 13 of Part 2 of the Rulebook in respect of repeated or egregious breaches of the MVT Rule.

### Questions

- Q.17: Do you agree with the LME’s approach to treating breaches of the MVT Rule as a Fixed Penalty? If not, please explain why.**
- Q.18: Do you agree with the level of Fixed Penalty in respect of a breach of the MVT Rule? If not, please explain why.**
- Q.19: Do you have any other comments on the proposal treating breaches of the MVT Rule as a Fixed Penalty? If so, please provide comments.**

**Jamie Turner**

**Chief Operating Officer**

cc: Board directors  
User Committee  
Special Committee

## PART 1- DEFINITIONS AND GENERAL RULES

*All text shown below is new and underlined.*

### DEFINITIONS

<u>“Accountability Threshold”</u>	<u>a control the Exchange applies to positions held in Critical Contracts, Related Contracts and over-the-counter contracts in accordance with the Rules as published from time to time;</u>
<u>“Critical Contract”</u>	<u>a Contract specified as such by the Exchange in accordance with the Rules as published from time to time;</u>
<u>“Confidential Information”</u>	<u>has the meaning in Regulation 21 in Part 2 of the Rules;</u>
<u>“Exchange Position Limit”</u>	<u>the maximum permitted position in a Contract as set by the Exchange in accordance with the Rules as published from time to time;</u>
<u>“Exemption”</u>	<u>an exemption permitting a person to hold positions in Critical Contracts and Related Contracts in excess of a Regulatory Position Limit and granted in accordance with the Rules as published from time to time;</u>
<u>“Exemption Ceiling” or “Ceiling”</u>	<u>the maximum permitted position in a Critical or Related Contract irrespective of whether those positions benefit from an Exemption;</u>
<u>“Exemption Holder”</u>	<u>a person holding a valid Exemption;</u>
<u>“Person Subject to the Rules”</u>	<u>a person who is not a Member and who has agreed to be subject to the Rules;</u>
<u>“Related Contract”</u>	<u>a Contract specified as such by the Exchange in accordance with the Rules as published from time to time;</u>
<u>“Regulatory Position Limit” or “Limit”</u>	<u>the maximum permitted position in a Critical or Related Contract excluding positions benefitting from an Exemption, as set by the</u>

Exchange in accordance with the Rules as published from time to time;

*Existing definitions below are amended. New text is underlined, deleted text is showed as strikethrough.*

<del>"Auction Window"</del>	<del>has the meaning given to it in Regulation 2.15.8(b) of Part 3;</del>
<del>"Customer"</del>	<del>a person that initiates Pre Trade Execution Communications with a Member, and/or requests a quote from a Member, or a person in respect of which a Member initiates Pre Trade Execution Communications, and including: (a) another Member; or (b) a Client;</del>
<del>"Fixed Price Auction"</del>	<del>a public auction, conducted in accordance with the requirements set out in Trading Regulation 2.15.8;</del>
<del>"Inter Office Order"</del>	<del>a bid or offer or actionable indication of interest for a trade that is made in the inter office market;</del>
<del>"IOM PTT Initiating Pair"</del>	<del>has the meaning set out in Regulation 2.15.8 of the Trading Regulations;</del>
"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 <u>MiFID II Transparency RTS</u> and the MiFID II Algorithmic Trading RTS,  as from time to time amended;
<del>"MiFID II Transparency RTS"</del>	<del>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;</del>

	<del>structured finance products, emission allowances and derivatives;</del>
<del>"Out of Scope Order"</del>	<del>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;</del>
<del>"Position Limits"</del>	<del>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;</del>
<del>"Pre-Trade Execution Communication"</del>	<del>has the meaning set out in Regulation 2.15.6 of the Trading Regulations;</del>
<del>"Pre-Trade Transparency Requirements"</del>	<del>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;</del>
<del>"PTT Exempt Order"</del>	<del>an Inter-Office Order that is not required to be publicised in accordance with the Pre-Trade Transparency Requirements, due to the application of:</del> <ul style="list-style-type: none"> <li><del>(a) a PTT Waiver; or</del></li> <li><del>(b) the PTT Hedging Exemption;</del></li> </ul>
<del>"PTT Hedging Exemption"</del>	<del>has the meaning set out in Regulation 2.15.5 of the Trading Regulations;</del>
<del>"PTT Order"</del>	<del>an Inter-Office Order that is not an Out of Scope Order or a PTT Exempt Order;</del>
<del>"PTT Waiver"</del>	<del>a waiver from the application of the Pre-Trade Transparency Requirements, granted to the Exchange by a competent regulatory authority;</del>



[...]

## 2. GENERAL

[...]

2.4 Administrative Procedures shall be sent to such class or classes of Member or to one or more Persons Subject to the Rules to whom they apply.

2.5 The Rules and Administrative Procedures shall be binding on all Members and where applicable on all Persons Subject to the Rules. 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.

2.5.1 The Rules and Administrative Procedures shall at all times be observed, interpreted and given effect by Members and Persons Subject to the Rules in the manner most consistent with the obligations of the Exchange under applicable laws and regulations, including its duty to maintain and promote orderly markets.

2.5.2 Any delay in exercising any power conferred to the Exchange under the Rules shall not be construed as a waiver by the Exchange of such power.

2.6 The Directors or Exchange may grant to a Member or where applicable a Person Subject to the Rules;

- (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.

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

**PART 2**  
**MEMBERSHIP, ENFORCEMENT AND DISCIPLINE**

\*

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## PART 2 – MEMBERSHIP, ENFORCEMENT AND DISCIPLINE

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[...]

### 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 subparagraphs (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~~ six years 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~~ six years 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).

[...]

## **12 PROVISION OF INFORMATION AND OBLIGATIONS OF MEMBERS AND PERSONS SUBJECT TO THE RULES**

12.1 Each Member (other than Category 5 and Honorary Members) and each Person Subject to the Rules shall provide the following financial, trading and/or 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 a Person Subject to the Rules or any of a Member's affiliates or Person Subject to the Rules' affiliates, whether that information relates to the business of the Member or the Person Subject to the Rules or of any affiliate; and/or (ii) any business of a Client of a Member or client of a Member's affiliate in metals. Such business in metals may include, without limitation, "over-the-counter" business in the trading, storage or financing of metals.

12.1.5 on a best-efforts basis, such further information on regulatory, compliance and market-conduct related matters as the Exchange may deem necessary relating to the ultimate

beneficial owner of a position where that person is neither a Client nor a client of an affiliate.

- 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~~ including without limitation 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;

[...]

- (m) deal with the Exchange in an open and cooperative manner and keep the Exchange promptly informed of any matter 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. A Member shall ensure that its Clients and clients of affiliates deal with the Exchange in an open and cooperative manner;

[...]

- (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.

12.6.1 A Member or a Person Subject to the Rules shall not act in a way that could cause the Exchange to breach any applicable law or regulation to which it is subject. A Member is responsible for ensuring that its Clients do not act in a way that could cause the Exchange to breach any applicable law or regulation to which it is subject.

12.6.2 A Person Subject to the Rules shall:

- (a) observe high standards of market conduct and have regard to the standards and guidance as provided by the FCA (or equivalent bodies) and industry bodies;
- (b) ensure its internal record-keeping is appropriate and adequate;
- (c) deal with the Exchange in an open and cooperative manner and keep the Exchange promptly informed of any matter concerning it which the Exchange might reasonably expect to be disclosed to it. This duty of disclosure shall arise as soon as the Person Subject to the Rules becomes aware or has reasonable grounds for believing that such a matter has arisen or will arise;
- (d) be responsible for and remain liable for:
  - (i) any failure of a member of staff to comply with their obligations under the applicable Rules; and
  - (ii) paying any applicable financial penalty, fine or order for costs.

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;
- (d) enter an order in LME Select where the Member has beforehand engaged in Pre-Trade Communications except as permitted in Regulation 2.2A of Part 3 of these Rules; or
- (e) knowingly facilitate, fail to take reasonable steps to prevent or assist its Clients, or any other person, to do any of (a) to (d) above.

Person Subject to the Rules are subject to Regulation 12.7 (a) to (c) and (e) 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.

### **Client of Concern**

12.10. In the circumstances described ~~in Regulation 12.10.1~~ below, the Exchange may **determine that any person is a Client of Concern and** take any of the actions described in Regulation 12.10.21. 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, any intentional or unintentional acts or omissions that have disrupted or may disrupt the orderliness of the market, or~~
  - (iii) ~~a failure to comply with any direction made by the Exchange or the Special Committee, or~~
  - (iv) ~~acting in a way that could cause the Exchange to breach any applicable law or regulation to which it is subject or engaging in conduct which has brought or may be likely to bring the Exchange or any of its markets into disrepute, or~~
  - (v) ~~the provision to the Exchange of information which is false, misleading, incomplete, inaccurate, late or the refusal to provide information to the Exchange, or~~
  - (vi) ~~holding positions across one or more Members, the total of which is in excess of a Regulatory Position Limit or an Exchange Position Limit, or~~
  - (vii) ~~holding positions across one or more Members, the total of which is in excess of any other cap, level, ceiling or threshold set out elsewhere in any other Rule;~~
- (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 1 Without prejudice to any other Rule, ~~T~~he Exchange may direct any Member~~s~~, or all Members~~s~~, 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 any 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.~~4~~;
- (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, not increasing or trading out of such positions altogether.

12.10.3 2 When exercising its powers under Regulation 12.10.1, the Exchange:

- (a) ~~may consult with, and share information regarding, a Client of Concern with the FCA and any other relevant regulatory authority;~~ may disclose any Confidential Information regarding a Client of Concern in accordance with the Rules, as required under any applicable law or regulation or to any regulator that has responsibility for regulating the Client of Concern; 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.

12.10.3 Nothing in this Regulation 12.10, 12.10.1 and 12.10.2 of Part 2 of the Rules shall be construed to limit the powers of the Exchange or the Special Committee set out in any other Rule.

### 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 by a Member, Dealer, Member Representative, LME Select Participant and/or a Person Subject to 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 by a Member, Dealer, Member Representative, LME Select Participant and/or a Person Subject to the Rules 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 any information (including information for the purpose of obtaining Membership) which is false, misleading, ~~or~~ inaccurate, incomplete or not provided on a timely basis;
  - (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 any steps taken or any direction ~~of given by~~ the Exchange or the Special Committee as to including 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; and
  - (j) 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, or the Person Subject to the Rules 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, or the Person Subject to the Rules 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 or the Person Subject to the Rules 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 and Persons Subject to the Rules shall co-operate fully with all Investigations conducted by the Exchange (whether or not the Member, Dealer, ~~or~~ Member Representative or Persons Subject to the Rules 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) and a Person Subject to the Rules 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 in the case of a Member, Dealer or Member Representative 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 or Person Subject to the Rules 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, Person Subject to the Rules 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

14.-1 Regulation 14 and the Rules contained therein shall apply to any Member, Dealer Member Representative or Person Subject to the Rules. For the purposes of applying these Rules to a Person Subject to the Rules, for “Member” substitute “Person Subject to the Rules” and omit all references to “Dealer” and “Member Representative”. The Regulations pertaining to Ring Appeal Proceedings in Regulation 14 shall not apply to a Person Subject to the Rules.

### 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.

[...]

## 21. CONFIDENTIALITY

21.1 Subject to Regulation 21.2~~3~~, the Company shall ~~treat as confidential~~ not disclose any Confidential iInformation received from a Member ~~that concerns the business and affairs of a Member, or Client (including any information relating to any Contract), a Client, a Person Subject to the Rules and/or any other person.~~

21.2 For the purposes of Regulation 21.1, “Confidential Information” means information which relates to the business or other affairs of a Member, Client, Person Subject to the Rules or any other person (including but without limitation any information relating to any Contract or over-the-counter contract).

21.2~~3~~ The Company may disclose any Confidential iInformation 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 or the Person Subject to the Rules;
- (d) to the Clearing House, to the extent that:
  - (i) 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; or
  - (ii) such information is relevant to the performance by the Company of its functions under the Rules or terms of service, or its obligations under applicable law, or its contractual obligations to the Clearing House;
- (e) to the Member or the Person Subject to the Rules itself;
- (f) where the Company acquires or develops the information independently of any information or document provided by the Member or the Person Subject to the Rules;
- (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 or a Person Subject to the Rules 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 or the Person Subject to the Rules;
- (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 was in the public domain at the time it was disclosed or 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; or
- (r) where a person holds positions across more than one Member, to any or all Members (as determined by the Exchange in its sole discretion) which hold a position for that person. The Exchange may disclose Confidential Information which in its opinion it deems relevant for the purposes of:
  - (i) managing position(s), or
  - (ii) enforcing any Rule (and in respect of a Person Subject to the Rules, enforcing any Rule to which it is subject to), or
  - (iii) promoting or maintaining market orderliness,
  - (iv) complying with its regulatory obligations;
- (s) where a person has been deemed a "Client of Concern" (under Regulation 12.10 of Part 2 of the Rules), to any or all Members (as determined by the Exchange in its sole discretion) irrespective of whether those Members hold a position for that Client at the time of disclosure. The Exchange may disclose Confidential Information which in its opinion it deems relevant for the purposes of:
  - (i) managing position(s), or
  - (ii) enforcing any Rule (and in respect of a Person Subject to the Rules, enforcing any Rule to which it is subject to), or
  - (iii) promoting or maintaining market orderliness,
  - (iv) complying with its regulatory obligations;

(t) if it is in the form of a summary or collection of information so framed that it is not possible to ascertain from it information relating to any person;

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.

21.4 Subject to Regulation 21.5, each Member and each Person Subject to the Rules shall treat as confidential all information concerning the business ~~and~~ or other affairs of the Company.

21.5 A Member and a Person Subject to the Rules may disclose any information which is subject to the confidentiality obligations in Regulation 21.4:-

- (a) to any regulator that has responsibility for regulating the Member or the Person Subject to the Rules 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 or the Person Subject to the Rules develops the information independently of any information or document provided by the Company;
- (d) to the Member's group or to the Person Subject to the Rules' group, or to employees, officers, consultants, professional advisers or agents of the Member or the Person Subject to the Rules or its group solely to the extent that such persons need to receive such information in order to assist the Member or the Person Subject to the Rules 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 or the Person Subject to the Rules;
- (g) where necessary for the discharge of the Member's obligations or the Person Subject to the Rules' obligations under applicable law; or
- (h) where the Member or the Person Subject to the Rules considers it appropriate to disclose such information for the purpose of discharging ~~the Member's~~ its 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.

[...]

## 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.

## **25 PERSON SUBJECT TO THE RULES**

25.1 A Person Subject to the Rules shall comply with the Regulations in Parts 1, 2 and 3 of the Rules where they apply to it.

25.2 Notwithstanding Regulation 25.1 above and for the avoidance of doubt, a Person Subject to the Rules shall be deemed to remain a Client for the purposes of the Rules. Members shall remain responsible and liable for ensuring that their Clients comply with the Rules including where such Client is a Person Subject to the Rules. Failure by a Member to ensure such compliance shall be considered a breach of the Rules.

25.3 A person which has ceased to be a Person Subject to the Rules shall remain subject to the Rules and to the jurisdiction of the Exchange in respect of acts and omissions while it was a Person Subject to the Rules 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 it was a Person Subject to the Rules, for the longer of:

- (a) the period of six years from the date on which they ceased to be a Person Subject to the Rules; or
- (b) the period during which any disciplinary proceedings continue against them subject to any extension of such period under Regulation 25.5. Any such disciplinary proceedings are those started by the Exchange (i) before the date on which the Client ceased to be a Person Subject to the Rules, or (ii) no later than six years after the date on which the Client ceased to be a Person Subject to the Rules.

25.4 Disciplinary proceedings against a person that has ceased to be a Person Subject to the Rules may be started by giving it notice of an investigation no later than six years after the date on which it ceased to be a Person Subject to the Rules.

25.5 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 25.3 (b) 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).

**PART 3**  
**TRADING REGULATIONS**

\*

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## PART 3 – TRADING REGULATIONS

*New text is underlined, deleted text is showed as strikethrough.*

[...]

### 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)(a)~~ party to the Agreed Trade; or
- ~~(ii)(b)~~ 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 Execution 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 Execution 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.~~

[..]

## 2.5 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)(c)~~ (c) Subject (where applicable to (c) above), ~~t~~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)~~(d) 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)~~(d) 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)~~(e) 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.~~

[...]

~~2.15 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 Execution 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 Execution Communications"), then such Member shall not, in the course of such Pre-Trade Execution 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 or declaration month 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 Execution 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 Execution 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(e)(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.~~~~

[...]

### **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 Execution 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) (iii) 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.

[...]

## 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 one or several Members (including on behalf of their relevant Client(s)) and/or Persons Subject to the Rules 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-

in each case, at such time, for such period of time, and in respect of in any such metal, Contract, or position of any person as the Special Committee in its sole and absolute discretion deems necessary or desirable.

For the avoidance of doubt, the Special Committee may exercise their powers in Trading Regulation 17.1 regardless of whether any Regulatory Position Limit, Exemption Ceiling or Exchange Position Limit has been breached, and/or of whether a valid Exemption is in place, and/or of whether the Exchange has exercised any other power it has under the Rules.

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 or at the date stated in the direction. ~~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 or Person Subject to the Rules 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 or Person Subject to the Rules.
- 17.4A The Special Committee may give a direction to a Client (“Client A”) under Trading Regulations 17.1 to 17.3 above via one or more Members with whom Client A has one or more Client Contracts (each a “Relevant Member” and the direction conveyed to Client A via each Relevant Member the “Relevant Direction”). In that case each Relevant Member shall be responsible and fully liable for ensuring that Client A complies with the Relevant Direction, and any failure to do so may be deemed a breach of the Rules.
- 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.

[...]

## 18. LENDING RULES

- 18.1 The Lending Rules apply to any position in a Contract held by a Member, Client, Person Subject to the Rules and any other person where the Exchange specifies so in the Policy Relating to Position Management Arrangements or in any other Rule.
- 18.2 Members and Persons Subject to the Rules shall ensure that their positions held in a Contract subject to the Lending Rules comply with the Lending Rules at all times and shall co-operate with the Exchange to ensure that each of their Clients comply with the Lending Rules.
- 18.3 Except as expressly permitted by the Rules, Members (each a “Relevant Member”) shall ensure that, at all times, each position held by each of their Clients (each a “Relevant Position”) in a Contract subject to the Lending Rules comply with such Rules as if that Relevant Position was the Relevant Member’s own position. Any failure to do so by the Member may be deemed a breach of the Rules.
- 18.4 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 those set out in the Exchange’s Policy Relating to Position Management Arrangements.
- 18.5 Compliance with the Lending Rules is subject to the powers of the Special Committee and of the Exchange to take steps or give directions in relation to any position held by any

person under ~~Trading Regulations 17.1 to 17.3 above~~ their respective powers as set out in ~~these Rules~~. Without prejudice to ~~the generality of Trading Regulations 17.1 to 17.3 above these Rules~~, 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 ~~or the Exchange, in its their~~ absolute discretion, deems ~~s~~-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, fraudulent misrepresentation 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, Person Subject to the Rules or any 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, including 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) the setting, modification, revocation, monitoring, enforcement or otherwise of a Regulatory Position Limit or of any other position management control;
  - (h) the granting (or the refusal to grant), modification, revocation, monitoring, enforcement or otherwise of an Exemption, an Exemption Ceiling and/or any condition applicable to such Exemption; and
  - ~~(g i)~~ any other events not set out in (a) to ~~(f h)~~ 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.

19.4 Nothing in the Rules shall limit or exclude the liability of the Exchange for:

(a) death or personal injury as a result of the Exchange 's negligence; or

(b) any matter for which it would be unlawful under applicable law for the Exchange to exclude or limit or to attempt to exclude or limit its liability.

19.5 Regulation 19.4 is without prejudice to the application of section 291 of FSMA (*Liability in relation to recognised body's regulatory functions*).

## **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.~~

## 20. EXCHANGE POSITION LIMITS

20.1 The Exchange may impose an Exchange Position Limit on any Contract in accordance with the Exchange’s Policy Relating to Position Management Arrangements or in accordance with any other Rule as published from time to time. Exchange Position Limits shall apply to any position in a Contract held by Members, Clients, Persons Subject to the Rules and any other person where the Exchange specifies so.

20.2 Except as expressly permitted by the Rules, Members and Persons Subject to the Rules shall ensure that their positions held in a Contract subject to an Exchange Position Limit are less than or equal to any applicable Exchange Position Limit at all times. Members and Persons Subject to the Rules shall also comply with all Rules pertaining to such Exchange Position Limits at all times.

20.3 Except as expressly permitted by the Rules, Members (each a “**Relevant Member**”) shall ensure that, at all times, each position held by each of their Clients (each a “**Relevant Position**”) in a Contract subject to an Exchange Position Limit is less than or equal to the Exchange Position Limit that would apply to that Relevant Position if that Relevant Position was the Relevant Member’s own position. Any failure to do so by the Member may be deemed a breach of the Rules. Relevant Members shall also be responsible and fully liable for ensuring a Client who has a Relevant Position complies with all Rules that would apply to such Relevant Position if that Relevant Position was the Relevant Member’s own position, and any failure to do so may be deemed a breach of the Rules.

20.4 Compliance with an Exchange Position Limit is subject to the powers of the Special Committee and of the Exchange to take steps or give directions under their respective powers as set out in these Rules. Without prejudice to these Rules, such steps or directions may include suspending, amending or supplementing an Exchange Position Limit for such period or in respect of such Contracts as the Special Committee or the Exchange, in their absolute discretion, may deem necessary.

[...]

## **24. BACKWARDATION CAP AND DELIVERY DEFERRAL POWERS FOR PHYSICALLY DELIVERABLE TOM-NEXT CONTRACTS**

### Backwardation Cap

24.1 Members and Persons Subject to the Rules 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**”). Members shall be responsible and fully liable for ensuring that their Clients comply with the

Backwardation Cap including where Clients are using the order-routing facilities of the LME Select API to place their orders.

- 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, Client and/or a Person Subject to the Rules has borrowed above the applicable Backwardation Cap, the ~~borrowing relevant~~ Member and/or Person Subject to the Rules 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, Client and/or a Person Subject to the Rules has borrowed at a price above the Backwardation Cap, the Exchange may price adjust the relevant Contract to the Backwardation Cap level. ~~All-Member~~ 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, Client and/or a Person Subject to the Rules has borrowed at a price above the Backwardation Cap, this shall constitute a breach of the Rules by the relevant Member and/or the Person Subject to the Rules.

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.

### **25. DAILY POSITION REPORTING**

- 25.1 Members shall provide a daily position report to the Exchange in compliance with the Exchange’s Policy Relating to Position Management Arrangements or in accordance with any other Rule as published from time to time.
- 25.2 Members shall ensure that daily position reporting contain a complete breakdown of their positions in Contracts as well as of the positions in Contracts of their Clients and of the clients of those Clients until the end client is reached.
- 25.3 Members shall provide the identity of their Client and shall have arrangements with their Clients to ensure that such Clients provide the identity of each of their clients until the end client is reached.

### **26. REGULATORY POSITION LIMITS**

- 26.1 The Exchange shall set Regulatory Position Limits in accordance with the Exchange’s Policy Relating to Regulatory Position Limits and Exemptions or in accordance with any other Rule as published from time to time. Regulatory Position Limits shall apply to all positions in Critical Contracts and Related Contracts held by Members, Clients, Persons Subject to the Rules and any other person.
- 26.2 Except as expressly permitted by the Rules, Members and Persons Subject to the Rules shall ensure that their positions in Critical and Related Contracts are less than or equal to any applicable Regulatory Position Limit at all times. Members and Persons Subject to the Rules shall also comply with all Rules pertaining to such Regulatory Position Limits at all times.
- 26.3 Except as expressly permitted by the Rules, Members (each a “**Relevant Member**”) shall ensure that, at all times, each position held by each of their Clients (each a “**Relevant Position**”) in a Critical and Related Contract is less than or equal to the Regulatory Position Limit that would apply to that Relevant Position if that Relevant Position was the Relevant Member’s own position. Any failure to do so by the Member may be deemed a breach of

the Rules. Relevant Members shall also be responsible and fully liable for ensuring a Client who has a Relevant Position complies with all Rules that would apply to such Relevant Position if that Relevant Position was the Relevant Member's own position, and any failure to do so may be deemed a breach of the Rules.

26.4 Compliance with a Regulatory Position Limit is subject to the powers of the Special Committee and of the Exchange to take steps or give directions under their respective powers as set out in these Rules. Without prejudice to these Rules, such steps or directions may include suspending, amending or supplementing a Regulatory Position Limit for such period or in respect of such Critical or Related Contract as the Special Committee or the Exchange, in their absolute discretion, deem necessary.

## **27. EXEMPTIONS AND EXEMPTION CEILINGS**

27.1 For the purposes of holding a position in a Critical and Related Contract in excess of a Regulatory Position Limit, Members, Clients and Persons Subject to the Rules may apply to the Exchange for an Exemption from a Regulatory Position Limit and for an Exemption Ceiling.

27.2 Exemption Holders shall ensure that their positions in a Critical and Related Contract do not exceed their Exemption Ceiling and shall comply with all of the Rules pertaining to and the conditions applicable to their Exemption and Exemption Ceiling at all times.

27.3 Without prejudice to any other Rule, the Exchange may revoke or modify any Exemption, Exemption Ceiling and/or any condition applicable to such Exemption in accordance with the Exchange's Policy Relating to Regulatory Position Limits and Exemptions at any time with immediate effect or with effect from such date as the Exchange may specify.

27.4 Without prejudice to Regulation 27.3 above, compliance with an Exemption and/or an Exemption Ceiling is subject to the powers of the Special Committee and of the Exchange to take steps or give directions under their respective powers set out in these Rules.

## **28. ACCOUNTABILITY THRESHOLDS**

28.1 The Exchange shall set Accountability Thresholds in accordance with the Exchange's Policy Relating to Position Management Arrangements or in accordance with any other Rule as published from time to time. Accountability Thresholds shall apply to positions in Critical Contracts, Related Contracts and over-the-counter contracts held by Members, Clients, Persons Subject to the Rules and any other person.

28.2 For the avoidance of doubt, a Member, Client Person Subject to the Rules and/or any other person may hold positions in Critical Contracts, Related Contracts and over-the-counter contracts in excess of an Accountability Threshold. The Exchange or the Special Committee may exercise their respective powers under the Rules and give any such directions to Members and/or Persons Subject to the Rules in relation to any position held by any person as they deem appropriate.

28.3 Except as expressly permitted by the Rules, Members (each a “Relevant Member”) shall ensure that, at all times, each position held by each of their Clients (each a “Relevant Position”) in a Critical and Related Contract shall be monitored against the Accountability Thresholds as if those positions were the Member’s own positions. Members shall be responsible for ensuring that Clients respond to any information request made or any direction given by the Exchange or the Special Committee and any failure to do so may be deemed a breach of the Rules.

## 29. POWERS OF THE EXCHANGE

29.1 Without prejudice to any other Rule, if at any time the Exchange:

- (a) considers it necessary or desirable, in its sole and absolute discretion, to maintain market orderliness or otherwise comply with its regulatory obligations; and/or
- (b) has cause to suspect a failure by any person to comply with any Rule pertaining to a Regulatory Position Limit, Exemption, Exemption Ceiling or any Rule set out in the Exchange’s Policy Relating to Position Management Arrangements; and/or
- (c) has 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 its opinion has affected or is likely to affect the market;

the Exchange may take such steps as it determines are necessary in its absolute discretion to contain or rectify the situation and/or it may give directions to Members (including on behalf of their relevant Client(s)) and Persons Subject to the Rules accordingly.

29.2 The steps and/or directions that the Exchange may take or give pursuant to Regulation 29.1 above may include but are not limited to:

- (a) requiring a person not to increase a position; and/or
- (b) requiring a person to modify a position including reducing, terminating or otherwise; and/or
- (c) revoking or modifying any Exemption, Exemption Ceiling and/or any condition applicable to such Exemption;

in each case, at such time, for such period of time, and in respect of in any such metal, Contract, or position of any person as the Exchange in its sole and absolute discretion deems necessary or desirable.

29.3 For the avoidance of doubt, the Exchange may exercise its powers in Regulation 29.2 above regardless of whether any Regulatory Position Limit, Exemption Ceiling or Exchange Position Limit has been breached, and/or of whether a valid Exemption is in place, and/or of whether the Exchange or the Special Committee has exercised any other power under the Rules.

29.4 Any Member or a Person Subject to the Rules contravening or failing to comply with any step taken or direction given by the Exchange under Regulation 29.2 above shall have committed a breach of the Rules.

- 29.5 The Exchange may give a direction to a Client (“**Client A**”) under Trading Regulation 29.2 via one or more Members with whom Client A has one or more Client Contracts (each a “**Relevant Member**” and the direction conveyed to Client A via each Relevant Member the “**Relevant Direction**”). In that case each Relevant Member shall be responsible and fully liable for ensuring that Client A complies with the Relevant Direction, and any failure to do so may be deemed a breach of the Rules.
- 29.6 Nothing in this Regulation 29 of Part 3 of the Rules shall be construed to limit the powers of the Exchange or the Special Committee set out in another Rule.

# Policy Relating to Position Management Arrangements



## Policy Relating to Position Management Arrangements

*New text is underlined, deleted text is shown as strikethrough.*

### Introduction

1. In order to ensure that the price discovery process is not unduly influenced by the existence of a position, which can include the holding of Warrants, the LME has in place arrangements to ensure that all positions held on the market are subject to ongoing monitoring. The LME has established arrangements designed to ensure that Warrants and positions are subject to ongoing monitoring such that the LME is able to identify and mitigate the risk that positions have with regards to market orderliness, price discovery and the resilience of its markets. Where appropriate, the LME may take such action either directly or through the Special Committee, as deemed appropriate, to ensure that no position holder is able to exercise an undue influence on the market. ~~Regulation 17 of Part 3 (Emergencies) of the LME Rulebook sets out the powers of the Special Committee.~~ For the avoidance of doubt, the Exchange or the Special Committee may, in their absolute discretion, take such steps or give directions as they deem appropriate to contain or rectify the situation under any of their powers in the LME Rulebook, irrespective of whether a Regulatory or Exchange Position Limit has been breached or whether a valid Exemption applies.
2. This policy sets out the Rules of the LME in relation to position management arrangements. It should be read in conjunction with the Rulebook and with any other relevant Rules as published from time to time including those set out in the Policy Relating to Regulatory Position Limits and Exemptions.
3. It should be noted that the existence of a dominant position is not abusive *per se*, nor that the LME seeks to prevent the existence of such positions. Instead, the aim is to ensure that where such positions are held by market participants, the ongoing management of the position does not have an undue influence upon the market. For the avoidance of doubt, managing a position on the market would include not only active management through trading activity but also passive management through the lack of market activity – i.e. the withholding of liquidity from the market.

### Defined Terms

4. Terms defined in the LME Rules and Regulations (the “**LME Rulebook**”) shall have the same meaning in this Policy Relating to Position Management Arrangements (the “**Policy**”), unless stated otherwise.

### Position Management Arrangements

5. Members should note that throughout this Policy a 24-hour time format is used and all times refer either to UK Greenwich Mean Time or ~~UK~~ British Summer Time, depending on whether Daylight Saving Time is being observed.
6. In addition to the ongoing monitoring of positions referred to above, the LME has the following arrangements in place:
  - a) Daily reporting of positions;
  - b) Lending Rules;
  - c) Warrant financing;
  - d) ~~Accountability Levels~~ Thresholds; and
  - e) Exchange Position Limits.
7. In this Policy, the Lending Rules and the Rules on Accountability Thresholds and Exchange Position Limits apply to positions held by Members, Clients, Persons Subject to the Rules and/or any other person. Members and Persons Subject to the Rules must comply with these Rules. While Clients of Members are expected to comply with those Rules and fully cooperate with the LME to this effect, Members shall be responsible and liable for ensuring that their Clients comply with the Rules relevant to Clients set out in this policy at all times. For the avoidance of doubt, in relation to all other Rules in this Notice, Persons Subject to the Rules shall continue to be treated as Clients of Members unless otherwise specified.



8. ~~Further, To~~ to support these arrangements, the LME requires Members to provide certain information on a daily basis including position reports and details of financing arrangements, as well as manage Warrant inventory in LMEsword in line with guidance set out within this Policy.
9. Details of the arrangements and reporting requirements are set out below.

### Daily Reporting of Positions

10. In accordance with the obligations contained within Regulation ~~20.3~~ 25 of Part 3 of the LME Rulebook, Members must provide a daily Commodity Position Report (“CPR”) to the LME in accordance with the format required by the Exchange. These position reports must be submitted to the LME Universal Data Gateway (“LME UDG”) and must be received by the LME before 08:30:00 the next business day following the date of the report.

#### Positions to be Reported in CPR files

11. Category 1, 2, 3 and 4 Members must report every single net LME position in respect of:
  - a) All aggregated proprietary accounts of a Member; and
  - b) Any Client account.
12. In respect of Client Contracts, the reports must be compiled on the basis of all Clients who hold those Client Contracts. Where a Member operates an omnibus account on behalf of underlying Clients of an intermediary, the reports must account for each of those underlying Clients separately (except in the case of pooled funds). Members should not treat intermediaries as the holders of aggregated positions if the underlying Clients are the holders of the Client Contracts.
13. Members shall ensure that daily position reporting contains a complete breakdown of their positions in Contracts as well as of the positions in Contracts of their Clients and of the clients of those Clients until the end client is reached.
14. For each of the Member proprietary or Client accounts described above, net market positions should be reported by an International Securities Identification Number (“ISIN”). Each commodity and Prompt Date for Futures Contracts and commodity, option date, option type and Strike Price for Metal Options Contracts have their own unique ISIN. Positions should not be reported twice.
15. Positions reported by Members each morning are those at the close of business on the previous business day. Trades that remain unmatched at close of business should not be included in Member’s position reports the next day. Only ~~on-exchange LME registered positions~~ in LME Contracts should be reported. Over the counter (“OTC”) positions or LME look-alikes should not be reported nor netted with ~~on-exchange LME Contract~~ positions. In the event a Member has unmatched trades at close of business for the Cash prompt they should inform Market Surveillance via email before 08:30:00 the next morning.

#### Reporting Procedure

16. Category 1, 2, 3 and 4 Members must submit their CPR file to Market Surveillance using the LME UDG, before 08:30:00 each business day. Members must have appropriate systems and controls to ensure that data contained in CPR files is complete and accurate.
17. In respect of complete and accurate, this involves the correct population of all fields for all positions reportable within the CPR file including but not limited to the ‘Exemption Type’ field which should be populated where the Member or their Client has an Exemption. Members must disaggregate within their CPR file, using this field, positions which are eligible under the Exemption and those which are not. Members must have arrangements in place pursuant to the Policy Relating to Position Limits and Exemptions to ensure this information is provided on a timely basis from their Clients.
18. Members should contact both Regulatory Reporting and Market Surveillance immediately if they find that they are unable to meet the daily deadline to submit their CPR file. Members who have to resubmit their CPR file after the reporting deadline because they need to correct erroneous or incomplete



submissions must inform both Regulatory Reporting and Market Surveillance of each resubmission as soon as possible.

19. Members who automate their file submission must check their report status for transmission or validation error messages sufficiently in advance of the reporting deadline to ensure that they can correct and re-submit their reports to the LME by the required deadline.
20. While Members may delegate the calculation and transmission of their CPR file to third parties, they retain the responsibility under the LME Rulebook for the accuracy and completeness of the data and submission to the LME by the required time. If delegated to a third-party Members must be able to demonstrate appropriate oversight of those submissions, including compliance with the obligations contained in this Notice and the LME Rulebook.
21. Members must ensure that adequate and ongoing testing is undertaken of systems and controls procedures used to report to the LME to ensure that the information provided to the LME is accurate and complete.
22. Members requiring further information on LME UDG or CPR should refer to the relevant specification documents, which can be found on the LME website. ~~at:~~

<https://www.lme.com/about/Regulation/Rules/Key-compliance-notice>

### **LMEsword Warrant Management**

23. Whilst LMEsword does not purport to create a register of beneficial owners of metal to which Warrants relate it is necessary, in order that the LME can effectively monitor positions and issue Lending Rules, for Members to ensure Warrants are managed in line with this Policy.
24. Members must ensure that by no later than 17:00:00 each day all Warrants that are under its control are allocated to specific accounts within LMEsword. The account to which they are allocated to must reflect the party who holds the proprietary interest in the metal to which the Warrants relate (the “**Effective Controller**”).
25. Each Member’s LMEsword account that holds Warrants must have a valid short code assigned to it in the Compliance Reference field. This short code must have been uploaded to the LME UDG in a Personally Identifiable Information (“**PII**”) file no later than 17:00:00 on the day Warrants are first held in the LMEsword account, and the underlying Legal Entity Identifier (“**LEI**”) or natural person information must correspond to the Effective Controller of that Warrant. Members should note that no ‘point of entry’ validation for the Compliance Reference field is in place and it is therefore a Member’s responsibility to ensure the short code entered is in a valid format and has been uploaded to UDG. Further information around PII file submissions can be found on the LME website. ~~at:~~

<https://www.lme.com/about/Regulation/Rules/Key-compliance-notice>

26. For the avoidance of doubt, even in the event that a Warrant has been transferred to a third party, the entity which retains the proprietary interest in the metal to which the Warrant relates would be considered the Effective Controller.
27. There are a number of ways in which a party can achieve effective control of Warrants held by another. These include where:
  - (a) the holder of Warrants has an obligation such that they will retain the Warrants while the obligation is outstanding;
  - (b) the person to whom the holder of the Warrants owes the obligation is aware that the Warrants are being held against the obligation; and
  - (c) the person to whom the obligation is owed has effective control over whether those Warrants can become available to the market.



28. Although not an exhaustive list, specific examples of where a proprietary interest may still be retained in a metal to which a Warrant relates, even though it has been transferred to a third party, would include when a Warrant has been placed into a financing arrangement or pledged to LME Clear as collateral.
29. In the event that a Member, or as the case may be, a Client has effective control over (rather than possession of) Warrants, the LME will aggregate those Warrants with other Warrants held by, or to the order of, the Member or, as the case may be, the Client. The result will be that the total number of Warrants will be counted towards the Member's or, as the case may be, the Client's Warrant holdings, Cash Today and Cash positions for the purposes of calculating lending under the Lending Rules. The Lending Rules will therefore apply to the total aggregated number of Warrants.

#### Failure to report in an accurate and timely manner

30. Members are advised that the failure to report CPR files and manage their Warrants in LMEsword in an accurate and timely manner may result in action being taken by the LME. As a general rule, the LME may take action against a Member where errors and/or late submissions are observed on 5 or more business days within a calendar month.
31. There are a variety of circumstances that may lead the LME to conclude that there is an error with a Member's position reporting or Warrant management. These are set out in a non-exhaustive list below:

#### CPR

- (a) **Late submission of files** - Members must submit CPR files before 08:30:00 each business day;
- (b) **Errors in accuracy of positions reported** - The positions reported in Members' CPR files must be free of errors;
- (c) **Duplicate submissions** - Unique positions for each position holder must only be reported once;

#### Warrant Management

- (d) **Late allocation of Warrants** – Members must ensure Warrants are allocated to specific LMEsword accounts no later than 17:00:00;
- (e) **Incorrect allocation of Warrants** – Members must ensure Warrants are allocated to specific LMEsword accounts which identify the Effective Controller of those Warrants. Leaving Warrants in collection accounts overnight would be captured under this type of error;
- (f) **Blank Compliance Reference fields** – Members must ensure that each LMEsword account that holds Warrants contains a valid short code in the Compliance Reference field. This short code, when mapped to data held by the LME, should reflect the Effective Controller of the Warrants; and
- (g) **Invalid short codes** – Each short code in the Compliance Reference field within LMEsword should have been uploaded to LME UDG prior to the LMEsword account having Warrants allocated to it. This is to ensure that the short code can be mapped to the relevant LEI or natural person information held by the LME and the Effective Controller of the Warrant can be identified.

#### **Lending Rules**

32. The LME has a regulatory obligation to ensure it has appropriate measures in place to reduce the extent to which the LME can be used for a purpose connected with market abuse, including but not limited to an abusive squeeze. In order to comply with this obligation, the LME issue Lending Rules to market participants holding dominant positions, instructing them to provide a certain amount of liquidity in certain nearby Contracts, to ensure they cannot exert an undue influence on the market price of a particular metal, and in extremis squeeze the market.
33. Within the Lending Rules the price used to calculate the premium each business day is the LME Cash Official Price published the previous business day (the "**Cash Price**"). The maximum premium percentage is expressed as a US dollar amount rounded down to the nearest cent.



**Tom-Next Lending Rules**

- 34. The Tom-Next Lending Rules shall apply to positions and Warrants held by Members, Persons Subject to the Rules and Clients.
- 35. The LME’s Tom-Next Lending Rules require participants to trade between the tomorrow Prompt Date and the Cash Prompt Date (the “**Tom-Next**” spread). These rules rely upon the reporting by Members on a daily basis of all open LME positions as well as Warrant information held in LMEsword at 17:00:00 the previous business day. Using this information the LME will require Members, Persons Subject to the Rules and will expect ~~or their~~ Clients to adhere to the following obligations:
  - (a) If at any time a Member, Person Subject to the Rules or Client holds 50% or more of the Warrants and/or Cash Today/Cash positions in relation to the open Warrant stocks as published at 09:00:00 each morning (“**Live Warrants**”), they must lend or offer to lend, at a premium of no more than 0.5% of the Cash Price for a day, to reduce the position below 50%.
  - (b) If at any time a Member, Person Subject to the Rules or Client holds 80% or more of the Warrants and/or Cash Today/Cash positions in relation to the Live Warrants, they must lend or offer to lend, at a premium of no more than 0.25% of the cash price for a day, to reduce the position below 80%.
  - (c) If at any time a Member, Person Subject to the Rules or Client holds 90% or more of the Warrants and/or Cash Today/Cash positions in relation to the Live Warrants, they must lend or offer to lend, at a premium of no more than level, to reduce the position below 90%.
  - (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.
- 36. The Tom-Next Lending Rules have the effect that a dominant position holder must, without delay, lend or offer to lend by entering an order on LMEselect and/or the Ring. This enables the dominant position holder to respond to demand in the market for borrowing at the premium set by the Tom-Next Lending Rules. The dominant position holder is not obliged to lend if the market demand for tom-next borrowing is at a backwardation premium below that specified by the Tom-Next Lending Rules.
- 37. Lending Tom-Next involves selling for the tomorrow (also referred to as “**tom**”) Prompt Date and buying for the Cash Prompt Date. Where a dominant position holder reduces its Warrant holding (“**W**”), net tom trading position (“**T**”) and net Cash trading position (“**C**”) (**W**, **T** and **C**, known collectively as the “**WTC Position**”), on one day by lending Tom-Next (i.e. selling tom and buying Cash), it will be adding to its **C** position for the purposes of calculating its WTC Position the next morning. This explains how a person may abide by the Tom-Next Lending Rules but maintain a dominant position on successive days.
- 38. As with the publication of large position information, in determining the application of the Tom-Next Lending Rules, the LME shall aggregate the positions of an entity across all Members in calculating dominant positions. Likewise, the LME shall aggregate the positions of a Member, Person Subject to the Rules or Client and such entity’s related group companies unless the entity can demonstrate that the positions were independent.

How to calculate a dominant position

- 39. The basis of a relevant position in any metal for the purposes of the Tom-Next Lending Rules is the total of a person’s WTC position expressed in Lots. That net WTC Position is divided by the number of Live Warrants, expressed in Lots, for that metal. The result of  $(W + T + C) \div (\text{Live Warrants})$  is expressed as a percentage to two decimal places. For example, a Warrant position of 123 Warrants, a net Tom position of 456 Lots and a net Cash position of 789 Lots will equal 1,368 Lots. If the total number of Live Warrants were 1,500, the WTC Position would be 91.20%.

$$\frac{(123 + 456 + 789)}{1,500} = 91.20\%$$



40. The denominator used is Live Warrants rather than ~~total stock~~. the sum of Live Warrants and cancelled Warrants ("Total LME Stock"). ~~in each metal is the sum of Live Warrants and cancelled Warrants.~~
41. The resulting percentage forms the basis for calculating the number of Lots that a dominant position holder must be prepared to lend. The Tom-Next Lending Rules treat a WTC Position of 50% and above as dominant. This means that a position holder is subject to the Tom-Next Lending Rules until its WTC Position is reduced to 49.99%. For practical reasons, these percentages need to be expressed in Lots as whole numbers. In the above example, 50% of 1500 Lots equals 750 Lots.
42. Therefore, 749 Lots equals less than 50%. The dominant WTC Position (123 + 456 + 789) equals 1,368 Lots. The holder would have to be prepared to lend 619 Lots to reduce their WTC Position down to 749 Lots. Expressed as percentages, this means that the dominant position holder must be prepared to lend 41.21%, rounded up to the nearest lot.
43. The figures used in calculating a WTC Position are those reported by Members to the LME before 08:30:00 each business day as well as the Warrants managed by each Member, whether that be for their own account or that of a Client, at 17:00:00 the previous business day. The figures relate to the WTC Positions as at the close of business on the previous business day.
44. The LME automatically aggregates the WTC Positions held by an entity across two or more Members and will also aggregate positions of affiliated companies, such as, but not limited to, those who share a common beneficial owner. The LME may also aggregate the WTC Positions of unconnected parties if the LME believes that there is a common purpose.
45. The net WTC Positions are divided by the number of Live Warrants, which are the same as those included in the stock figures published by the LME at 09:00:00 each business day. The relevant stock figures for complying with the Tom-Next Lending Rules on any tom trading day are those published that morning.
46. As WTC Positions are calculated each morning on the basis of figures as at the close of business on the previous business day, the reported T trading position will have become a delivery obligation for that day and the reported C position will have become a tom position for that day. In order to reduce that reported WTC Position in line with the Tom-Next Lending Rules, the dominant position holder, (be it a Member, Person Subject to the Rules or Client) should be prepared to lend the Tom-Next spread.
47. Any increase in a tom position during a tom trading day that brings the combined Warrant, same-day Warrant delivery and tom position at or above 50% of Live Warrants will be a dominant position for the purposes of the Lending Rules and the dominant position holder should therefore be prepared to lend in accordance with paragraph ~~30(a)~~ 35(a) above. Similarly, in the event that a tom position is increased during a tom trading day that brings the combined Warrant, same-day Warrant delivery and tom position at or above 80% or, as the case may be, at or above 90% of the Live Warrants, the dominant position holder should be prepared to lend in accordance with paragraph ~~30(b) or 30(e)~~ 35(b) or 35(c) above respectively. In the event a market participant has increased their tom position such that they would be considered a dominant position holder when they previously were not, or the increase in position meant their combined Warrant, same-day Warrant delivery and tom position was now in a higher lending band than previously, they must inform Market Surveillance as soon as possible.

#### How to comply with the Tom-Next Lending Rules

48. The Tom-Next Lending Rules are an obligation placed on those who hold a dominant long position for which the Tom-Next Lending Rules apply. The holder of the dominant position is ultimately responsible for its own compliance with the Tom-Next Lending Rules. ~~This is the case both for Members and non-Members.~~ Under the Rules, a dominant position holder can be a Member, Person Subject to the Rules or a Client. In the case of a ~~non-Member~~ Person Subject to the Rules or a Client, compliance with the Tom-Next Lending Rules may require the Person Subject to the Rules or the Client ~~the non-Member~~ to give appropriate instructions to one or more of its ~~its~~ their Members or brokers.
49. Where the LME identifies a dominant position, the holder of that position will be contacted to advise of any steps to be taken with regard to the management of the position. These steps could include adjustments to a WTC Position to account for OTC business being brought onto the market that day.



Many ~~non-Members~~ Clients prefer to have these discussions directly with the LME rather than go through one or more of their Members or brokers. Although, ~~both Members and non-Members~~ a dominant position holder may discuss their WTC Positions with the LME, the holder of a dominant position is best placed to know the size of their own WTC Positions. Once the LME stock figures are published at 09:00:00 a position holder is able to calculate whether or not its net WTC Position triggers the Tom-Next Lending Rules.

50. Increases or decreases in the LME Live Warrant figures from the previous day's figures may affect whether a WTC Position is dominant and whether that dominance exceeds the 50%, 80% or 90% threshold. For this reason, a dominant position holder is entitled to wait until the LME stock figures are published before complying with the Tom-Next Lending Rules. Notwithstanding the above, a dominant position holder should not delay complying with the Tom-Next Lending Rules and must lend or offer to lend immediately following the publication of the LME stock figures. If there has been a material change in the Live Warrant figures, the dominant position holder and relevant counterparties may, upon the LME's instruction, have to adjust some of the trades executed prior to the LME stock figures being published in order to ensure that the lending has complied with the Tom-Next Lending Rules. In the event adjustments are required they will be processed in chronological order.
51. A dominant position holder must lend at the premium applicable to their highest WTC Position first. If a dominant WTC Position is above 90%, the position holder must lend at level a sufficient number of Lots to bring their position below 90% before they may lend at a premium of 0.25% of the Cash Price. Similarly, they must lend at a premium of no more than 0.25% of the Cash Price a sufficient number of Lots to bring their position below 80% before they may lend at a premium of 0.5% of the Cash Price. The position holder must have reduced their position below 50% before the position holder may lend at a premium greater than those specified by the Tom-Next Lending Rules.
52. Once a dominant position holder has received Lending instructions from Market Surveillance, they must enter orders into LMEselect at 09:00:00 without delay and the offer to lend to the market by the dominant position holder must be active at all times during the tom-next Contract period until all required volume has been fulfilled. In the event the dominant position holder's obligation has not been met before the start of the first Ring session they must also be prepared to respond to bids in the Ring. The purpose of Tom-Next Lending Rules is to address the effect of a ~~Member or non-Member's~~ Member's, Person Subject to the Rules' or Client's dominant position on short position holders. It would be an abuse of the Tom-Next Lending Rules for a dominant position holder to contrive to lend to another person at the specified premium with the intention that the borrower could then lend in the market at a higher premium.
53. Where the dominant position holder is a Client, the LME will, where possible, instruct them directly. If this Client has not responded to the LME within a reasonable timeframe as determined by the LME in its absolute discretion or fails to comply with the LME's instructions, the LME may instruct any/all of their Clearing Member(s) to carry out the instructions on their behalf, and in doing so, as permitted by the Rules, may disclose to the Clearing Member(s) concerned that the Client is a dominant position holder. ~~In these circumstances, the relevant Client will be deemed to have waived all confidentiality regarding their position as a dominant holder for the purpose of the instructions.~~ All parties are reminded that this information is market sensitive and should be treated as such.

#### Lending on LMEselect

54. A dominant position holder subject to the Lending Rules must without delay enter orders into the LMEselect order book that represent their Tom-Next Lending Rules obligations, once the LME stock figures have been disclosed at 09:00:00. The mechanisms for ensuring orderly trading on LMEselect mean that a lower offer entered into the system will trade with an existing higher bid. If there is a bid in LMEselect that is at a higher premium than that prescribed by the Tom-Next Lending Rules, a dominant position holder must trade with that bid to adjust the price back to the correct premium. This adjustment must be undertaken through LMEsmart.
55. If the dominant position holder does not have direct access to LMEselect, it must make arrangements with its Member(s) and/or broker(s) to take the necessary steps to enter orders into the LMEselect order book without delay on its behalf in an agency capacity and to make adjustments where necessary.

#### Lending in the Ring



- 56. A bid in the Ring is also a request to the market. The first Ring session for each metal is the last opportunity to lend or borrow Tom-Next by open outcry. A dominant position holder who has not reduced their WTC Position below 50% by the start of the first Ring session must respond to bids in the Ring where those bids reach the premium at which the dominant position holder must be prepared to lend.
- 57. The mechanisms for ensuring orderly trading in the Ring mean that once a bid to borrow has been made, a lender must either accept that bid or make a higher offer. It is a breach of Regulation 11 of Part 3 of the LME Rulebook to make an offer that is lower than a prevailing bid. If a dominant position holder's WTC Position remains at 50% or above by the start of the first Ring session, it must ensure that it responds to bids and that any lending is at a premium no higher than the premium prescribed by the Tom-Next Lending Rules. In order to ensure this and to abide by the LME Rulebook, it may be necessary for the dominant position holder to offer to lend.

Brokers instructed by Clients

- 58. Where a dominant position holder instructs lending to be carried out through a broker, this must be done in an agency capacity with no markup or commission built into price (i.e. the price of the lend order must be at a premium no more than at the required price level(s)).

Minimum Live Warrant Thresholds

- 59. The following minimum Live Warrant thresholds will be used in the calculation of a dominant position under the Tom-Next Lending Rules. In the event Live Warrants fall to (or below) these thresholds, the Minimum Threshold will replace the Live Warrant in the calculation of the Tom-Next Lending Rules.

Metal	Minimum Threshold
Aluminium	2,240 Lots
Copper	1,220 Lots
Lead	840 Lots
Nickel	560 Lots
Tin	70 Lots
Zinc	840 Lots

**Front Month Lending Rules**

- 60. The Front Month Lending Rules apply to a Member's, Person Subject to the Rules or Client's "Cumulative Spot Futures Position", relative to "Total Available Stock", in deliverable Aluminium, Copper, Nickel, Lead, Tin, and Zinc Contracts.
- 61. A "**Cumulative Spot Futures Position**" is defined as the total of a Member's, Person Subject to the Rules or Client's aggregated Futures Contracts (including, in relation to Options Contracts, the delta adjusted equivalent futures positions) across each individual Prompt Date and expiry up to and including the next 3rd Wednesday Prompt Date which is not the next available Prompt Date ("**M1**"). As such, when a 3rd Wednesday Futures Contract becomes the tom Contract, then M1 (and thus the Cumulative Spot Futures Position) refers to the following 3rd Wednesday Futures Contract).
- 62. "**Total Available Stock**" is defined as the Total LME Stock<sup>4</sup> not held by the dominant position holder. For the purposes of this definition, "held" includes any position for which the relevant Member, Person Subject to the Rules or Client is the Effective Controller.

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<sup>4</sup> "Total LME Stock" in each metal is defined as the sum of Live Warrants and cancelled Warrants.



63. In determining the application of the Front Month Lending Rules, the LME will aggregate positions across all LME Clearing Members holding positions for the relevant legal entity and any related group companies (unless the relevant entity can demonstrate to the satisfaction of the LME that the positions are entirely independent and unrelated).
64. Where a Member holds an offsetting OTC Position, they may apply to the LME for an exemption for this position such that the number of lots held OTC can be discounted from their Cumulative Spot Futures Position for the purposes of the relevant calculations pursuant to the Front Month Lending Rules. The LME may grant this exemption at its absolute discretion, taking into account any factor it deems relevant including the counterparty to, size, and purpose of the relevant OTC positions. Any Member wishing to apply for this exemption should contact [market.surveillance@lme.com](mailto:market.surveillance@lme.com) prior to 18:00:00 on the Wednesday before the 3rd Wednesday prior to the position being taken into account in the Cumulative Spot Futures Position. For the avoidance of doubt, Persons Subject to the Rules and Clients cannot apply for this exemption.
65. Positions are calculated using CPR data reported at 08:30:00 on the relevant Business Day. Stock data ~~is as~~ figures are published at 09:00:00 on the relevant Business Day.
66. The basis of a relevant position in any metal for the purposes of the Front Month Lending Rules is the total of a person's Cumulative Spot Futures Position expressed in Lots. That net position is divided by the number Total Available Stock, expressed in Lots, for that metal. The result of Cumulative Spot Futures Position ÷ Total Available Stock is expressed as a percentage to two decimal places.
67. The resulting percentage forms the basis for calculating the number of Lots that a dominant position holder must be prepared to lend. The Front Month Lending Rules treat a Cumulative Spot Futures Position of 50% and above as dominant. This means that a position holder is subject to the Front Month Lending Rules until its Cumulative Spot Futures Position is reduced to 49.99%. For practical reasons, these percentages need to be expressed in Lots as whole numbers.
68. The LME's Front Month Lending Rules rely upon the reporting by Members on a daily basis of all open LME positions as well as Warrant information held in LMEsword at 17:00:00 the previous business day. Using this information the LME will require Members and Persons Subject to the Rules or and will expect their Clients to adhere to comply with the following obligations:
- (a) If at any time a Member, Person Subject to the Rules or Client holds 50% or more of the Cumulative Spot Futures Position in relation to the Total Available Stock, they should be prepared to lend, at a premium of no more than 2% of the previous day's Closing Price of M1, to reduce the position below 50%.
  - (b) If at any time a Member, Person Subject to the Rules or Client holds 80% or more of the Cumulative Spot Futures Position in relation to the Total Available Stock, they should be prepared to lend, at a premium of no more than 1% of the previous day's Closing Price of M1, to reduce the position below 80%.
  - (c) If at any time a Member, Person Subject to the Rules or Client holds 90% or more of the Cumulative Spot Futures Position in relation to the Total Available Stock, they should be prepared to lend, at a premium of no more than ~~Level~~ at level of the previous day's Closing Price of M1, to reduce the position below 90%.
69. The price used to calculate the premium each business day is the LME M1 Closing Price published the previous business day. The maximum premium percentage is expressed as a US dollar amount rounded down to the nearest cent.
70. The dominant position holder will be required to make liquidity available by offering to lend M1 to the following 3<sup>rd</sup> Wednesday Prompt Date ("M2") for their Cumulative Spot Futures Position that is in excess of the thresholds specified.
71. If, at 09:00:00 the bid for the M1-M2 carry is **no greater than** the Front Month Lending Rule obligation, then the dominant position holder (whether an existing dominant position holder or a dominant position



holder due to an update in Total Available Stock) should, without delay, offer to lend M1-M2 no greater than at the required price level(s) required by the Front Month Lending Rules, and should continue to offer to lend at the required price level(s) until such a time that they do not have a Front Month Lending Rule obligation.

- 72. If, at 09:00:00 the bid for the M1-M2 carry is **greater than** the Front Month Lending Rule obligation, then the dominant **position** holder should between 09:00:00 and 13:30:00 reduce their position in line with their obligation in an orderly manner, such that that by 13:30:00 at the latest they either no longer have a Front Month Lending Rule obligation, or they are offering to lend the M1-M2 carry at the required price level(s), after which they should continue to offer the M1-M2 carry at the required price level(s) until such a time that they do not have a Front Month Lending Rule obligation.
- 73. In line with the above, by 13:30:00, a dominant **position** holder is required to have lent their Front Month Lending Rule obligation or to be offering to lend M1-M2 at the required price level(s) should they still have a Front Month Lending Rule obligation. After 13:30:00, should the dominant **position** holder lend at a price greater than the required price level(s), then such transactions will be price adjusted to the appropriate price level(s).

How to comply with the Front Month Lending Rules

- 74. The offer to lend to the market by the dominant **position** holder must be active at all times during LMEselect opening hours. This means that the relevant order(s) must persist on the LMEselect order book until all required volume has been fulfilled.
- 75. If the dominant **position** holder lends this volume via broker(s), this lending must take place on LMEselect in an agency capacity with no markup or commission built into price (i.e. the price of the lend order must be at a premium no more than at the required price level(s)).
- 76. No Member, **Person Subject to the Rules** or Client shall, at any time, increase their Cumulative Spot Futures Position should this result in them taking a position in excess of 150% of Total Available Stock, or increasing an existing position which exceeds 150% of Total Available Stock.
- 77. It is the responsibility of the dominant **position** holder to ensure that they are compliant with the Front Month Lending Rules at all times. **Notwithstanding the obligation of a Client to comply, Members shall be responsible and fully liable for ensuring that** ~~shall take all reasonable steps to procure that their Clients comply with the Front Month Lending Rules.~~
- 78. Where the dominant **position** holder is a Client, the LME will instruct them directly **and expect the Client to comply with its instructions**. If this Client has not responded to the LME within a reasonable timeframe as determined by the LME in its absolute discretion or fails to comply with the LME's instructions, the LME may instruct any/all of their Clearing Member(s) to carry out the instructions on their behalf, and in doing so, may disclose, **as permitted under the Rules**, to the Clearing Member(s) concerned that the Client is a dominant **position** holder. ~~In these circumstances, the relevant Client will be deemed to have waived all confidentiality regarding their position as a dominant holder for the purpose of the instructions.~~ All parties are reminded that this information is market sensitive and should be treated as such.

Minimum Total Stock Thresholds

- 79. The following minimum Total LME Stock thresholds will be used in the calculation of the Front Month Lending Rules calculation. In the event Total **LME** Stock falls to (or below) these thresholds, the Minimum Threshold will replace the Total **LME** Stock used in the calculation of the Front Month Lending Rules.

<b>Metal</b>	<b>Minimum Threshold</b>
Aluminium	6,400 Lots
Copper	3,200 Lots
Lead	2,400 Lots
Nickel	1,600 Lots



Tin	200 Lots
Zinc	2,400 Lots

## Reporting of Financing Arrangements

80. Members are required to inform the LME of financing arrangements to which the Member is a party and whether they or their Clients do not hold but have effective control over Warrants. Members must notify the LME by completing the template form attached at Schedule 1 and sending it to Market Surveillance at [market.surveillance@lme.com](mailto:market.surveillance@lme.com) before or at the start of the financing arrangement. The Member must also notify Market Surveillance by email when the financing arrangement ends or when it has been amended.

## Accountability Levels Accountability Thresholds

81. ~~As noted above, the LME continuously undertakes surveillance on all positions held on the market and where relevant the Lending Rules set out specific actions that would be taken in particular circumstances. However, the LME considers it appropriate to have specific arrangements in place for the provision of additional information, when requested by the LME, for positions that are above certain levels (which shall be referred to as the “Accountability Levels” “Accountability Thresholds”), even where such positions do not trigger the application of the Lending Rules. The Accountability Thresholds serve as an early warning mechanism, enabling the LME to identify potentially disruptive positions and monitor positions in Critical and Related Contracts in respect of “Regulatory Position Limits” as defined by the LME’s Policy in Relation to Regulatory Position Limits and Exemptions. To have a holistic view and comprehension of the market and in order to ensure market orderliness in relation to the market for the Critical and Related Contracts, the LME applies Accountability Thresholds to over-the-counter contracts which have the same underlying metal as the Critical and Related Contracts. The request to provide additional information will be made to the Member who is holding a position, either directly or on behalf of their Client(s), which is in excess of the relevant Accountability Level. In calculating whether a position is in excess of the relevant Accountability Level, the LME may take into account positions in over-the-counter contracts subject to reporting under Regulation 24 of Part 2 of the Rules (“OTC positions”). In this respect, the LME may, at its discretion, elect to consider OTC positions separately to on-Exchange positions, or net them together, for the purposes of determining if the position is in breach of the Accountability Level threshold.~~

### Calibration and Publication

82. ~~The current Accountability Levels Accountability Thresholds are set out at Schedule 2. For the avoidance of doubt, without prejudice to any other Rule, the LME reserves the right to amend these levels the Accountability Thresholds, and the LME will advise of any updates in writing by Notice. In addition, Accountability Levels Accountability Thresholds for other LME Contracts may be introduced from time to time, as advised by the LME in writing by Notice. The Single Prompt Accountability Levels shall be calculated for each Member or Client (as relevant) on a net basis in respect of each relevant Prompt Date. The All Prompt Accountability Level shall be calculated for each Member or Client (as relevant) on a net basis in respect of all relevant Prompt Dates.~~

### General

83. ~~The Accountability Levels Accountability Thresholds shall apply to any position held by a Member, Person Subject to the Rules Client and/or any person trading the Contracts and over-the-counter contracts set out in Schedule 2 and will apply to positions held at the end of day. Members and Person Subject to the Rules must comply with the Accountability Levels Accountability Thresholds, and for Members shall be fully responsible and liable for ensuring compliance by their Client(s) with the Accountability Levels Accountability Thresholds.~~
84. ~~For the avoidance of doubt, Members, Persons Subject to the Rules, their Client(s) and any other person may (unless directed otherwise) hold positions that are in excess of the Accountability Level Accountability Threshold.~~



85. ~~The LME will publish Accountability Levels for positions held on single Prompt Dates and also positions held across all Prompt Dates (referred to as the “Single Prompt Accountability Levels” and the “All Prompt Accountability Levels” respectively).~~
86. Accountability Thresholds shall apply to all positions held by Members, Persons Subject to the Rules and Clients
- (a) separately to:
- i. Critical and Related Contracts as defined in the Rules (“LME Contracts”)<sup>2</sup>; and
- ii. over-the-counter contracts as defined under Regulation 24 of Part 2 of the Rules (“OTC Contracts”); and
- (b) to aggregated LME Contracts and OTC Contracts.
87. ~~If a position exceeds as described either the Single Prompt Accountability Level and/or the All Prompt Accountability Level~~ an Accountability Threshold then the LME (including through the Special Committee) may require further information as to the nature and purpose of the position of that account (or, if appropriate, linked accounts as determined by the LME Contracts or OTC Contracts positions taken into account). The LME, and may also direct that Members (including on behalf of their relevant Client(s)) or Person Subject to the Rules cannot accept further orders that increase the position of LME Contracts, or direct that the position be reduced including but not limited to a level below the Accountability Level/Accountability Threshold. The Member or Person Subject to the Rules shall comply with such directions. or The Member shall procure be fully liable and responsible for ensuring that its Client comply with such directions.
88. ~~The current Accountability Levels are set out at Schedule 2. The LME reserves the right to amend these levels, and the LME will advise of any updates in writing. In addition, Accountability Levels for other LME contracts may be introduced from time to time, as advised by the LME in writing. The Single Prompt Accountability Levels shall be calculated for each Member or Client (as relevant) on a net basis in respect of each relevant Prompt Date. The All Prompt Accountability Level shall be calculated for each Member or Client (as relevant) on a net basis in respect of all relevant Prompt Dates.~~
89. ~~The Accountability Levels shall apply to any Member and/or Client trading the contracts set out in Schedule 2, and will apply to positions held at the end of day. Members shall be responsible for compliance with the Accountability Levels and for ensuring compliance by their Client(s) with the Accountability Levels.~~
90. Upon request, Members, Clients or Person Subject to the Rules are required to provide all relevant information relating to the position to the LME. Notwithstanding the expectation placed on Clients that they will provide information to the LME, Members may encourage are fully liable and responsible for ensuring that their Client comply with the LME’s request. Where a Client provides the requested information to the LME In such cases the Member will have been deemed to have responded to the LME’s original request for additional information. The LME is aware that the information provided may include commercially sensitive information and therefore will be held in confidence in accordance with the provisions of Part 2 of the LME Rulebook.
91. Information provided for the purposes of the Accountability Thresholds must be true, accurate, complete and provided on a timely basis. The LME is aware that the information provided may include commercially sensitive information and therefore will be held in confidence in accordance with the provisions of Part 2 of the LME Rulebook (subject to the exclusions listed therein).
92. Where Accountability Thresholds apply to LME Contracts, this includes positions covered by a valid Exemption under the Rules. For the avoidance of doubt, the LME monitors and may query Exempt positions to ensure they remain consistent with the risk requirements.

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<sup>2</sup> The list of Critical Contracts and Related Contracts is available in the Policy Relating to Regulatory Position Limits and Exemptions.



93. ~~As with the publication of position information and the Lending Rules, in calculating the total positions of two or more entities acting in concert for the purposes of the Accountability Levels, the LME shall aggregate the positions of a client across all Members. Likewise, the LME shall aggregate the positions of a Member or client and such entity's related group companies unless the entity can demonstrate that the positions were independent. The LME will also aggregate the positions of unconnected parties if the LME believes that there is a common purpose between such parties. In such cases the LME will inform the parties either directly or through the Members with whom they trade.~~

Netting and aggregation for the purposes of Accountability Thresholds

94. In relation to both LME Contracts and OTC Contracts, Accountability Thresholds apply to net positions held:
- (a) at an individual entity (position holder) level; and
  - (b) at an aggregated group level (that is their own net positions netted with positions held on their behalf at an aggregated group level).
95. The period of aggregation of the Accountability Thresholds for both LME Contracts and OTC Contracts shall be:
- (a) as defined by the LME Policy Relating to Regulatory Position Limits and Exemptions:
    - i. Spot Month Contracts; and
    - ii. Other Months' Contracts; and
  - (b) maximum cumulative (which shall include every Prompt Date and expiry date (both in the Spot Month Contracts and the Other Months' Contracts) identifying the peak position across the full curve of positions).

**[Either Option A or Option B below shall be adopted – please refer to the consultation]**

**Option A**

96. For the purpose of calculating positions of LME Contracts in the Spot Month Contracts, the LME shall aggregate the net positions across all Prompt Dates and expiry dates:
- (a) in the Critical Contract;
  - (b) in each related Contract; and
  - (c) in the Critical and Related Contracts.
97. For the purpose of calculating positions of LME Contracts in the Other Months' Contracts and maximum cumulative, the LME shall aggregate the net positions across all Prompt Dates and expiry dates:
- (a) in the Critical and Related Contracts.

**Option B**

98. For the purpose of calculating positions of LME Contracts in the Spot Month Contract, Other Months' Contracts and maximum cumulative, the LME shall aggregate the net positions across all Prompt Dates and expiry dates in the Critical and Related Contracts.



**[Either Option C or Option D below shall be adopted – please refer to the consultation]**

**Option C**

99. For the purpose of calculating positions of OTC Contracts in the Spot Month Contracts, the LME shall aggregate the net positions across all Prompt Dates and expiry dates:
- (a) in LME-lookalike contracts;
  - (b) in all other OTC Contracts (e.g. swaps, options, averages, etc.); and
  - (c) in all OTC Contracts.
100. For the purpose of calculating positions of OTC Contracts in the Other Months' Contracts and maximum cumulative, the LME shall aggregate the net positions across all Prompt Dates and expiry dates:
- (a) in all OTC Contracts.

**Option D**

101. For the purpose of calculating positions of OTC Contracts in the Spot Month Contracts, Other Months' Contracts and maximum cumulative, the LME shall aggregate the net positions across all Prompt Dates and expiry dates in all OTC Contracts.

**[Either Option E or Option F below shall be adopted – please refer to the consultation]**

**Option E**

102. For the purpose of calculating aggregated positions across LME Contracts and OTC Contracts in the Spot Month Contracts, the LME shall aggregate the net positions across all Prompt Dates and expiry dates:
- (a) in the Critical Contract (LME Contracts) and LME-lookalikes (OTC Contracts);
  - (b) in Related Contracts (LME Contracts) and other OTC Contracts (e.g. swaps, options, averages, etc.); and
  - (c) in Critical and Related Contracts (LME Contracts) and all OTC Contracts.
103. For the purpose of calculating aggregated positions across LME Contracts and OTC Contracts in the Other Months' Contracts and max cumulative, the LME shall aggregate the net positions across all Prompt Dates and expiry dates:
- (a) in Critical and Related Contracts (LME Contracts) and all OTC Contracts.

**Option F**

104. For the purpose of calculating aggregated positions across LME Contracts and OTC Contracts in the Spot Month Contracts, Other Months' Contracts and max cumulative, the LME shall aggregate the net positions across all Prompt Dates and expiry dates in Critical and Related Contracts (LME Contracts) and all OTC Contracts.

**Exchange Position Limits**

105. The Lending Rules apply to all products on which Warrants are issued and where stock figures are published by the LME. However, the LME makes available for trading other products where no stock figures are available. In these instances but without limitation, the LME may operate a apply Exchange Position Limits regime.



106. Exchange Position Limits where applicable shall apply to all positions held by Members, Persons Subject to the Rules, Clients and/or any other person at all times. Members and Persons Subject to the Rules must comply with Exchange Position Limits at all times. A Member shall be responsible and fully liable for ensuring that its Client's position complies with an Exchange Position Limit, at all times, where such limit is applicable.
107. ~~The~~ Exchange Position Limits published by the LME apply to all Prompt Dates and are triggered when the net position held exceeds the relevant Exchange Position Limit. Where a position exceeds the relevant Exchange Position Limit, the LME may request further information regarding the position of that account or linked accounts, and the LME may also give directions to the Member (including on behalf of their Client) and/or Person Subject to the Rules in respect of the position of that account or linked accounts.
108. The current Exchange Position Limits are set out at Schedule 3. The LME reserves the right to amend these Exchange Position Limits, and the LME will advise of any updates by Notice in writing. In addition, Exchange Position Limits for other Contracts may be introduced from time to time, as advised by the LME by Notice in writing.
109. When requested by the LME, Members or Person Subject to the Rules must provide the LME with certain information relating to a position. Notwithstanding the expectation placed on a Client to provide the requested information to the LME, Members may encourage are fully liable and responsible for ensuring that their Clients ~~to~~ provide all relevant information directly to the LME. Where a Client provides the requested information directly to the LME, and in such cases the Member will be deemed to have responded to the LME's original request for information. The LME may also contact the position holder directly to obtain further information. The LME is aware that the information provided may include commercially sensitive information. Such information will be held in confidence in accordance with the provisions of Part 2 of the LME Rulebook (subject to the exclusions listed therein).

### **Enforcement of Position Management Arrangements**

110. Regulation 17 (Emergencies) of Part 3 ~~(Emergencies)~~ of the LME Rulebook sets out the powers of the Special Committee in the event that it has cause to suspect the existence of or to anticipate the development or likely development of an undesirable situation or undesirable or improper trading practice which in its opinion has affected or is likely to affect the market.
111. For the avoidance of doubt, the Special Committee may, in its absolute discretion, take such steps as it deems appropriate to contain or rectify the situation under any of its powers in the LME Rulebook, irrespective of whether a Regulatory Position Limit or an Exchange Position Limit has been breached or whether a valid Exemption applies. This may include, without limitation, a direction to reduce a position to below the relevant Accountability ~~Level-Threshold~~ and/or a Regulatory/Exchange Position Limit. Further, a direction to reduce a position may be issued even where the position is already below the relevant Accountability ~~Level-Threshold~~ and/or Exchange Position Limit.
112. Without prejudice to any other Rule, under Regulation 29 of Part 3 of the LME Rulebook, the Exchange may take any steps or make any directions it deems appropriate in relation to any position held by any person in accordance with its powers stated therein.
113. The powers of the LME under Regulation 17 of Part 3 or under Regulation 29 of Part 3 of the LME Rulebook shall apply to positions held by Members, Persons Subject to the Rules, Clients and/or any other person. Notwithstanding the expectation placed on a Client to comply with any step taken or any direction made by the Special Committee or the Exchange, a Member shall be fully liable and responsible for ensuring that its Client comply with such step or direction. A Client who refuses to comply with any step taken or any direction made by the Special Committee or the Exchange may be declared a "Client of Concern" under the Rules.
114. Any Member or Person Subject to the Rules contravening or failing to comply with the Position Management Arrangements, including but not limited to any direction or instruction issued by the LME (directly or through the Special Committee) ~~will be considered to~~ shall be in breach of the LME Rulebook Rules and therefore an Act of Misconduct. Such breaches may be subject to an automatic penalty or subject to an Investigation and disciplinary proceedings as outlined in the Rulebook.



115. Members, Persons Subject to the Rules or Clients with queries regarding this policy should contact Market Surveillance at [market.surveillance@lme.com](mailto:market.surveillance@lme.com)



## Amendment and Change History

Version	Author	Revisions
January 2025	Market Surveillance	Update to Accountability Levels.
May 2025	Market Surveillance	Update to Accountability Levels
June 2025	Market Surveillance	Introduction of the Front Month Lending Rules
October 2025	Market Surveillance	Consultation
February 2026	Market Surveillance	Decision Notice
February 2026	Market Surveillance	Consultation relating to PS25/1

## Schedule 1

### Reporting of Warrant Financing Arrangements (in Excel or CSV format)

Field	Column Name	Description	Mandatory (M) Optional (O) Conditional (C)	Data Type	Sample Data
1	Member Mnemonic	The 3-letter code assigned to the Member submitting the financing arrangement	M	CHAR-3	'XXX' 'YYY'
2	Warrant Holder	The entity in possession of the Warrants under the financing arrangement. Note this does not necessarily have to be the Member, or the Effective Controller, it could be a Client of the Member who is financing Warrants for a third party.	M	ALPHANUM-256	'ABC TRADING LTD' 'JOHN SMITH'
3	Effective Controller	The entity, or natural person, that maintains effective control of the Warrants under the financing arrangement. See paragraphs 22 <del>24</del> and 23 <del>25</del> for further details.	M	ALPHANUM-256	'ABC TRADING LTD' 'JOHN SMITH'
4	MiFID short code	The MiFID short code that corresponds to the Effective Controller.	M	INTEGER	'123456789'
5	Start Date	The date at which the financing arrangement began.	M	ISO 8601 extended format YYYY-MM-DD	2019-03-01
6	End Date	The date at which the financing arrangement is expected to end.	O	ISO 8601 extended format YYYY-MM-DD	2019-03-01
7	Metal	2 letter code identifying the metal	M	CHAR-2	'AH' – Aluminium 'CA' – Copper
8	Number of Warrants	Number of Warrants held under the financing arrangement	M	INTEGER	'150'
9	Additional Comments	Any additional details the Member deems relevant to the LME with respect to the financing arrangement in place.	O	ALPHANUM-256	



Schedule 2

**Accountability Levels**

<b>Contract Code</b>	<b>Single Prompt Accountability Level (Lots)</b>	<b>All Prompt Accountability Level (Lots)</b>
AH	16,000	16,000
CA	8,000	8,000
NI	6,000	6,000
PB	4,000	4,000
SN	500	500
ZS	6,000	6,000

**Accountability Thresholds**

<b><u>Contract Code</u></b>	<b><u>Spot Month Contracts Accountability Threshold (Lots)</u></b>	<b><u>Other Months' Contracts Accountability Threshold (Lots)</u></b>	<b><u>Max Cumulative Accountability Threshold (Lots)</u></b>
<u>AH</u>	<u>15,000</u>	<u>22,500</u>	<u>22,500</u>
<u>CA</u>	<u>9,000</u>	<u>12,500</u>	<u>12,500</u>
<u>NI</u>	<u>5,500</u>	<u>7,000</u>	<u>7,000</u>
<u>PB</u>	<u>3,500</u>	<u>4,000</u>	<u>4,000</u>
<u>SN</u>	<u>500</u>	<u>550</u>	<u>550</u>
<u>ZS</u>	<u>5,000</u>	<u>6,500</u>	<u>6,500</u>



**Schedule 3**

**Exchange Position Limits (Lots)**

<b>Contract Code</b>	<b><u>Exchange</u> Position Limits (Lots)</b>
AN (US Midwest)	2,500
AS (South-East Asia)	2,500
AE (East Asia)	2,500
AW (West Europe)	2,500

# Policy Relating to Regulatory Position Limits and Exemptions



## Policy Relating to Regulatory Position Limits and Exemptions

### Introduction

1. This policy sets out the LME's Rules concerning Regulatory Position Limits and Exemptions in compliance with FCA MAR 10 rules<sup>1</sup>.
2. This policy is subject to the exercise by the LME of any of its powers in order to ensure compliance with the Rules set out in this policy, taking any such steps or giving any such directions to promote and/or maintain market orderliness.
3. Members and Persons Subject to the Rules shall comply with the Rules set out in this policy at all times. While Clients of Members are expected to comply with those Rules and fully cooperate with the LME to this effect, Members shall be responsible and liable for ensuring that their Clients comply with the Rules set out in this policy at all times. Failure to do so by the Member may be considered a breach of the Rules.
4. For the purposes of this policy the LME shall treat Confidential Information in accordance with Regulation 21 of Part 2 of the LME Rulebook.

### Defined Terms

5. Capitalised terms used in this policy shall have the meaning given to them in the LME's Rules and Regulations unless expressly stated otherwise herein.

### Regulatory Position Limits and Exemptions

6. To ensure compliance with the Rules including those set out in this policy, Members are required to provide to the LME certain information on a daily basis including but not limited to position reports as set out in the Rules and in the Policy Relating to Position Management Arrangements.

### Contracts Subject to Regulatory Position Limits and Exemptions

7. The LME shall apply Regulatory Position Limits to Contracts identified as Critical Contracts or Related Contracts.
8. The Critical and Related Contracts subject to Regulatory Position Limits are set out below:

Critical Contracts	Related Contracts
Futures Contracts:	Options of the Critical Contract
LME Aluminium (AH);	Traded Average Price Options ( <b>TAPOs</b> ) of the Critical Contract
LME Copper (CA);	Trade at Settlement ( <b>TAS</b> ) of the Critical Contract
LME Lead (PB);	Monthly Average Futures ( <b>MAF</b> ) of the Critical Contract – in particular:
LME Nickel (NI);	• LME Aluminium (OA)
LME Tin (SN);	• LME Copper (OC)
LME Zinc (ZS).	• LME Nickel (ON)

<sup>1</sup> The FCA rules set out in chapter 10 of the Market Conduct (MAR) Sourcebook of the FCA Handbook (as may be updated or replaced from time to time) and any applicable guidance published by the FCA from time to time, including but not limited to supervisory findings.



	<ul style="list-style-type: none"><li>• LME Lead (OP)</li><li>• LME Tin (OS)</li><li>• LME Zinc (OZ)</li></ul>
	Minis of Critical Contract – in particular: <ul style="list-style-type: none"><li>• LME Aluminium (MA)</li><li>• LME Copper (MC)</li><li>• LME Zinc (MZ)</li></ul>

9. Where the LME considers that an additional Contract may amount to a Critical Contract, the LME shall promptly notify the FCA. In accordance with applicable laws and regulations, market participants shall have at least 45 days beginning with the date on which the FCA publishes a notice to submit a response to the FCA on the proposed determination. Subject to the outcome of the FCA's consultation, the LME shall establish and apply a Regulatory Position Limit in relation to the new Critical Contract with effect from the date such Contract becomes a Critical Contract.
10. The LME shall continue to monitor all Contracts and where the LME believes it to be appropriate to modify or amend the list outlined above concerning Related Contracts, the LME shall promptly notify the FCA and shall amend the list of Related Contracts by Notice and update this policy.

## Regulatory Position Limits

### Calibration and publication

11. The LME shall publish its Regulatory Position Limits in Schedule 1 of this policy.
12. The LME shall keep the Regulatory Position Limits under review, including reviewing them periodically (at least on an annual basis) to ensure they remain, in the opinion of the LME, appropriate. Without prejudice to any other Rule, before imposing a new Limit or amending an existing Limit, the LME shall notify the FCA and publicly consult in accordance with its Rules, unless it is not reasonably practicable to do so.
13. Without prejudice to any other Rule, where the LME determines in its sole and absolute discretion that it is necessary or desirable to maintain market orderliness or otherwise comply with its regulatory obligations, it may amend, modify, suspend, terminate or waive the application of a Regulatory Position Limit without prior notification or consultation. In such cases, the LME shall make the FCA and market participants aware of such a change as soon as it is practicable to do so. Where the LME amends a Regulatory Position Limit to a lower level, market participants shall be solely responsible for reducing their positions to comply with that new level (without causing any market disorderliness).
14. The FCA may exceptionally, by giving directions, establish new Position Limits in respect of a Contract. In these circumstances the LME, working with the FCA, shall ensure that Members, Persons Subject to the Rules and Clients are made aware of such new FCA limits as soon as is reasonably practicable.
15. Members, Persons Subject to the Rules and Clients shall comply with and monitor their positions against these FCA limits at all times as if they were Regulatory Position Limits.

### General

16. The LME shall apply its Regulatory Position Limits to all positions in Critical and Related Contracts held by a Member, Person Subject to the Rules, Client or any other person on a non-discriminatory basis.



17. Members and Persons Subject to the Rules shall ensure that their positions in Critical and Related Contracts are less than or equal to a Regulatory Position Limit, at all times, except where their position benefits from a valid Exemption granted by the LME ("**Exempt Positions**").
18. In relation to Clients of Members, Members shall ensure that positions held by their Clients in Critical and Related Contracts are less than or equal to a Regulatory Position Limit, at all times, except where their position is an Exempt Position. For this purpose, Members shall monitor and identify those Clients' positions which exceed a Regulatory Position Limit and immediately notify the LME (see below)
19. Members and Persons Subject to the Rules must comply with any directions issued by the LME (including through the Special Committee) as specified by Notice or otherwise from time to time.
20. In relation to Clients of Members, the LME or the Special Committee may give directions to a Client via one or more Members with whom the Client has Client Contracts. In that case each Member shall be responsible and fully liable for ensuring that their Client complies with such directions and any failure to do so may be deemed a breach of the Rules. Members shall have arrangements in place with their Clients for this purpose.
21. Members are responsible for monitoring open positions and must have appropriate systems and controls in order to monitor their positions and their Clients' positions at all times.
22. Persons Subject to the Rules are responsible for monitoring their open positions and must have appropriate management control and oversight to comply with the Regulatory Position Limits at all times.
23. Members, Person Subject to the Rules and Clients are reminded that Accountability Thresholds apply to positions in Critical and Related Contracts. The Rules applicable to Accountability Thresholds are set out in the LME's Policy Relating to Position Management Arrangements and other Rules specified by the LME from time to time.

#### Notification and provision of information requirements

24. Where a position in a Critical Contract and Related Contract held by a Member or a Person Subject to the Rules breaches a Regulatory Position Limit without a valid Exemption, the Member or Person Subject to the Rules shall immediately notify the LME directly of such fact and proactively provide the LME with reasonable details of the cause of such breach and their plan to reduce the position below the applicable Regulatory Position Limit in an orderly manner.
25. In relation to Clients, the LME expects a Client to notify it immediately and directly of a breach of a Regulatory Position Limit (in particular where it holds positions in Critical and Related Contracts across several Members). In any event a Member must immediately notify the LME of the breach, where, based on the information available to the Member at the time, its Client's positions are in excess of a Regulatory Position Limit.
26. Clients must provide the LME (either directly or via their Member) with all reasonable details of the cause of such breach and their plan to reduce the position below the applicable Regulatory Position Limit in an orderly manner.
27. All notifications shall be made in writing to [position.surveillance@lme.com](mailto:position.surveillance@lme.com).
28. Without prejudice to the foregoing, the LME may in its sole and absolute discretion request, and Members, Persons Subject to the Rules and Clients (either directly or via their Member) shall promptly provide, any other information in relation to the relevant breach that the LME determines is necessary or helpful to its assessment of the situation and/or to enable it to fulfil its regulatory obligations.

#### Action and enforcement

29. In the event of a breach of a Regulatory Position Limit, Members and Persons Subject to the Rules shall be solely responsible for reducing their position back below the applicable Regulatory Position Limit in an orderly manner. Members shall be responsible and liable for ensuring that their Clients reduce their positions in the same way.



30. A breach of a Regulatory Position Limit by a Member or a Person Subject to the Rules and/or a failure to immediately notify the LME of such breach and/or a failure to comply with a direction given by the LME (either directly or through the Special Committee) **shall** be treated as a breach of the Rules and therefore as an Act of Misconduct. Such breaches may be subject to a fixed penalty charge or subject to an Investigation and disciplinary proceedings as outlined in the Rulebook.
31. In relation to Clients of Members or any other person a position which exceeds a Regulatory Position Limit and/or a failure to comply with a direction via their Member(s) given by the LME (directly or through the Special Committee) **may** result in the application of the Client of Concern process as described in the Rulebook. The LME **may** deem a Member to have breached the Rules if its Client holds a position (excluding Exempt Positions) in excess of a Regulatory Position Limit and/or its Client fails to comply with a direction given by the LME (either directly or through the Special Committee). The LME **shall deem** a Member to have breached the Rules if the Member fails to notify the LME immediately if a Client's position breaches a Regulatory Position Limit and the Member should have been in the position to notify the LME based on the information available to the Member at the time.

Period of Regulatory Position Limits

32. **“Spot Month Contracts”** are defined as each individual Prompt Date and expiry date up to and including the next 3rd Wednesday Prompt Date (sometimes referred to as **M1**) which is not the next available Prompt Date. When the 3rd Wednesday Future becomes the tom Contract, the Spot Month Contracts would shift to include the following 3rd Wednesday. Thus, the Spot Month Contracts would only include two 3rd Wednesday Prompt Dates when the first is the tom Contract.
33. **“Other Months’ Contracts”** are defined as each individual Prompt Date and expiry after the Spot Month Contracts. This includes the Critical Contract's last applicable tradeable Prompt Date and expiry.
34. Regulatory Position Limits apply to Spot Month Contracts and Other Months' Contracts as set out in Schedule 1.

Netting and aggregation for the purposes of Regulatory Position Limits

35. A Member, Person Subject to the Rules and Client must determine their net position held separately in the Spot Month Contracts and Other Months' Contracts. Long and short positions must be netted to determine the net position. A Member, Person Subject to the Rules and Client must exclude Exempt Positions when making such determinations as per the Rule set out below in paragraph 49.
36. For the purpose of assessing a position against a Regulatory Position Limit, positions shall not be netted across different metals.
37. For the purposes of calculating positions in any Critical and Related Contract to comply with a Regulatory Position Limit, the following netting methodology shall apply:

Contract	Netting Method
Futures Contract	positions expressed in lots
MAF Contract	positions expressed in lots
TAS Contract	positions expressed in lots
Options Contract	positions converted into a Futures equivalent by applying a delta value to each position
TAPO Contract	positions converted into a Futures equivalent by applying a delta value to each position
LMEmini Futures Contract	positions converted to adjust for the reduced tonnage of the LMEmini Contract (for example where the LMEmini Futures Contract 'lot' is 5MT, the position would be a fifth of the relevant Futures Contract 25MT 'lot')



38. For the purposes of complying with the Regulatory Position Limits that apply respectively to the Spot Month Contracts and the Other Months' Contracts, Members, Persons Subject to the Rules and Clients shall calculate their net position held:
- (a) at an individual entity (position holder) level; and
  - (b) at an aggregated group level (that is their own net positions netted with positions held on their behalf at an aggregated group level).
39. A parent undertaking shall determine its net position by aggregating its own net position and the net positions of each of its subsidiary undertakings. The parent undertaking of a manager of a collective investment undertaking shall not aggregate positions held in any collective investment undertaking where it does not influence investment decisions in respect of opening, holding or closing of those positions.

**[Either Option A or Option B below shall be adopted – please refer to the consultation]**  
**Option A**

40. For the purposes of calculating positions in the Spot Month Contracts, position holders and parent undertakings shall aggregate their net positions across all Prompt Dates and expiry dates:
- (a) in the Critical Contract;
  - (b) in each Related Contract independently; and
  - (c) in the Critical and Related Contracts.
41. For the purposes of calculating positions in the Other Months' Contracts, position holders and parent undertakings shall aggregate their net positions across all Prompt Dates and expiry dates:
- (a) in the Critical and Related Contracts.

**Option B**

42. For the purposes of calculating positions in each of the Spot Month Contracts or the Other Months' Contracts, position holders and parent undertakings shall aggregate their net positions across all relevant Prompt Dates and expiry dates in the Critical and Related Contracts.
43. Where net positions are aggregated as per paragraph 42, the Member, Client or Person Subject to the Rules remains responsible for ensuring that its positions in each of the Critical Contract and Related Contracts do not create a risk of disorderly pricing or settlement conditions of such Contracts.
44. Without prejudice to any other Rule, where the LME determines in its sole and absolute discretion that the netting of positions in relation to a Related Contract will increase the likelihood of disorderly pricing or settlement conditions, it shall inform the relevant Member(s), Person(s) Subject to the Rules and/or Client(s), as the case may be, and prescribe how their positions should be aggregated for the purposes of discharging their obligation to adhere to the Regulatory Position Limit(s).



## Exemptions

### General

45. For the purposes of holding a position in Critical and Related Contracts in excess of a Regulatory Position Limit in compliance with the Rules, a Member, a Person Subject to the Rules or a Client may apply to the LME for an Exemption to a Regulatory Position Limit or renew it using the prescribed method as published by the LME from time to time “**Exemption Application**”, provided that they are a **non-financial entity** or a **financial entity** (as defined by MAR10) and that they and their positions are eligible for the Exemption. The granting of an Exemption and the level of the Exemption Ceiling shall be at the sole discretion of the LME. No Member, Client or Person Subject to the Rule shall be entitled to an Exemption and a specific level of Exemption Ceiling.
46. Members, Persons Subject to the Rules and Clients are solely responsible for determining whether they need to apply for an Exemption, whether they need to renew an Exemption and where appropriate, ensuring they have a valid Exemption at all times. Members, Persons Subject to the Rules and Clients shall provide all necessary information and documentation including those required by the LME on a timely basis to enable the LME to process the application. Where applying for a Pass-Through Exemption, Members, Persons Subject to the Rules and Clients must represent and warrant on behalf of themselves and must ensure that the underlying client warrants that all information provided is accurate and complete.
47. The LME has the discretionary power to grant or reject Exemptions. Subject to paragraph 48 below, Exemptions will be granted for a maximum period of 12 months and will expire after that period. Exemptions shall remain valid until they expire or are revoked or modified in accordance with the Rules.
48. Without prejudice to any other Rule, the LME may in its sole and absolute discretion extend the validity period of an Exemption beyond 12 months for a limited period of time (as determined by the LME) where, in its opinion such extension is necessary or desirable to either maintain market orderliness or to otherwise enable it to comply with its regulatory obligations.
49. If a Member, Person Subject to the Rules or Client is granted an Exemption, Exempt Positions shall not count towards the net position held at an individual entity (position holder) level or at an aggregated group (parent undertaking) level with respect to Regulatory Position Limits.
50. Exemptions and Exemption Ceilings are not transferrable.
51. Exemptions and Exemption Ceilings are specific to an Exemption Holder and to the specific Critical Contract and its Related Contracts and specific period (Spot Month Contracts or Other Months’ Contracts).
52. A breach of an Exemption Ceiling or of a condition of an Exemption by an Exemption Holder shall be treated as a breach of the Rules and therefore as an Act of Misconduct. Such breaches may be subject to a fixed penalty charge or subject to an Investigation and disciplinary proceedings as outlined in the Rulebook.

### Exemption Ceilings

53. Where the LME grants an Exemption, it shall set conditions including a restriction on the size of a **total position** (i.e. those which are Exempt Positions and those which are not) “**Exemption Ceiling**”. The level of an Exemption Ceiling shall be set at the discretion of the LME.
54. For the purpose of setting the Exemption Ceiling, the LME shall review each request for an Exemption Ceiling using the following factors:
  - (a) the evidence and justification provided for:
    - i. the Exemption;
    - ii. the requested level of the Exemption Ceiling (including its size in comparison to the relevant Regulatory Position Limit);
    - iii. the ability to unwind the position in an orderly way;



- iv. position management and oversight controls;
- (b) the Contract characteristics (including but not limited to deliverable supply, open interest, maturity, volatility and liquidity);
- (c) participant information:
  - i. history of positions in Contracts and/or over-the-counter contracts;
  - ii. historic engagement with the LME (including compliance with the Rules of the LME and the spirit thereof);
  - iii. risk-management approach;
  - iv. suitability;
  - v. credit worthiness;
  - vi. Clearing Member(s) arrangements;
- (d) the impact of the Exemption Ceiling on the LME's regulatory requirement including its obligation to promote and maintain orderly markets; and
- (e) any other factors that the LME in its sole discretion deems relevant to the setting of the Exemption Ceiling including any information received during the Exemption Application process.

#### Powers of revocation or modification

55. Without prejudice to any other Rule, the LME may revoke an Exemption or modify an Exemption Ceiling and/or any condition attached to such Exemption at its sole discretion at any time with immediate effect or with effect from such date that the LME shall specify where it reasonably believes that:
- (a) an Exemption Holder has breached (irrespective of whether that breach is on-going at the time of the LME's decision to revoke or modify):
    - i. a condition of its Exemption; and/or
    - ii. its Exemption Ceiling; and/or
    - iii. any other applicable Rule,
- and/or
- (b) the Exemption Ceiling presents a risk to market orderliness; and/or
  - (c) there has been a significant change to the information provided to the LME during the application process.
56. In the event that the LME modifies or revokes an Exemption Ceiling it shall notify the Exemption Holder in writing and communicate when the modification or revocation shall come into effect. The LME may make such modification or revocation effective immediately (for example, but not limited to, to maintain an orderly market). Where the LME modifies or revokes an Exemption Ceiling, the Exemption Holder shall be solely responsible for reducing their position below the applicable Exemption Ceiling or Regulatory Position Limit, as the case may be, while ensuring market orderliness and/or ensuring that it does not act in a way that could cause the LME to breach any applicable law or regulation to which it is subject.
57. The LME shall promptly notify the Exemption Holder of the revocation or modification of an Exemption, Exemption Ceiling or condition thereof. In the case of a Person Subject to the Rules, the LME may notify relevant Members of such revocation or modification in accordance with Regulation 21 of Part 2 of the Rulebook.
58. In the event that the LME revokes or modifies Exemption, Exemption Ceiling and/or any condition attached to such Exemption or Exemption Ceiling, the Exemption Holder shall remain solely responsible for managing their positions in an orderly way before such revocation or modification comes into effect. Any discussion or communication with the LME for these purposes is not, and should not be construed as, advice, or a waiver of such obligation, or a waiver of the LME's right to exercise any of its powers under the Rules. The LME may require the Exemption Holder to provide details as to how they intend to achieve this and the Exemption Holder shall promptly provide such details.



59. During the period of validity of an Exemption, an Exemption Holder may request at any time an amendment to the level of its Exemption Ceiling. Such request would have to be justified and supported with relevant evidence and would amount to a new Exemption Application for consideration by the LME.

Exemption conditions (general)

60. All Exemptions are subject to the following conditions:

Condition	Description
Condition 1	An Exemption remains valid provided that the Exemption Holder is and remains a Member or a Person Subject to the Rules throughout the entire period of validity of the Exemption. <sup>2</sup>
Condition 2	The total positions (those which are Exempt Positions and those which are not) held by the Exemption Holder must remain below or equal to an Exemption Ceiling.
Condition 3	An Exemption Holder must monitor, net and aggregate its total positions (i.e. those which are Exempt Positions and those which are not). An Exemption Holder must use the same method of netting and aggregation as described in the paragraphs of the Policy under the sub-title “Netting and aggregating for Regulatory Position Limits” but must include in its calculations Exempt positions.
Condition 4	Where an Exemption Holder is a Person Subject to the Rules, it is responsible for monitoring its open positions and have appropriate management control and oversight to comply with all of the conditions of an Exemption including the Exemption Ceiling at all times.  Where an Exemption Holder is a Member, it is responsible for monitoring its open positions and have appropriate systems and controls to comply with all of the conditions of an Exemption including the Exemption Ceiling at all times.
Condition 5	An Exemption Holder must not provide false, misleading, inaccurate, erroneous or late information to the LME, including but not limited to, as part of its application for an Exemption (or renewal of such Exemption).

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<sup>2</sup> Pursuant to its powers of revocation, the LME shall revoke an Exemption if an Exemption Holder is not or ceases to be a Member or a Person Subject to the Rules during the period of validity of the Exemption. In such event, the LME shall notify the Exemption Holder in writing and communicate when the revocation shall come into effect. Before the revocation of an Exemption comes into effect, the Exemption Holder shall be solely responsible for reducing their position below the applicable Regulatory Position Limit in an orderly manner.



Condition 6	An Exemption Holder must not have engage in conduct which has brought or may be likely to bring the LME or any of its markets into disrepute. An Exemption Holder must not act in a way that could cause the LME to breach any applicable law or regulation to which it is subject.
Condition 7	An Exemption Holder must not engage in an Act of Misconduct.
Condition 8	In the event an Exemption is granted, the Exemption Holder must notify in writing, without delay, their Member(s) that they have an Exemption, the expiry date of the Exemption, the type of Exemption and the proportion of their position with that Member which benefits from the Exemption. Except where all (100%) of its positions benefit from a valid Exemption, an Exemption Holder must communicate to its Member(s) on a daily basis the proportion of each close of business position which benefits from an Exemption.
Condition 9	An Exemption Holder must notify the LME promptly if there is a significant change to the nature or value of its commercial or trading activities and is relevant to the information provided when the Exemption was requested. This condition includes any information that the LME would reasonably expect to be advised of which may impact the LME's decision as to whether it is appropriate to grant, renew modify or revoke an Exemption.
Condition 10	In the event the total positions of an Exemption Holder breach an Exemption Ceiling, or in the event the Exemption Holder breaches any condition of its Exemption, the Exemption Holder must notify the LME directly and immediately. The Exemption Holder must provide the LME with reasonable details of the cause of such breach and the Exemption Holder's plans to remedy the breach.

61. A breach of a condition by an Exemption Holder may lead to the revocation of its Exemption by the LME. As noted above, a breach of a condition shall be treated as an Act of Misconduct resulting in a fixed penalty charge or the opening of an Investigation and disciplinary proceedings as outlined in the Rulebook.
62. The LME may, at its sole discretion, amend the above list of conditions (including, but not limited to adding conditions) depending on the circumstances of the Exemption Holder and the nature of the Exemption applied for.

#### Exemption Applications – All Exemptions

63. Applicants must submit their Exemption Applications with all relevant evidence to the LME at [position.surveillance@lme.com](mailto:position.surveillance@lme.com).



64. A person wishing to apply for an Exemption would be required to apply in their own name and would not be able to use another legal entity or natural person to do so.
65. The Exemption Application can be used to apply for, amend or cancel an Exemption. Applicants seeking to re-apply for an Exemption ahead of the 12-month expiry shall be responsible for providing an updated Exemption Application with all necessary updated information with sufficient time for the LME to undertake appropriate analysis.
66. The LME may, at its sole discretion, determine the criteria that apply to Exemption Applications. The criteria shall be set in Exemption Application forms.
67. Applicants must provide accurate, complete and detailed information and relevant supporting documentation which is current at the time of the Exemption Application and in relation to the period for which the Exemption is requested. Incomplete or inaccurate Exemption Applications may be rejected or may cause significant delays to the Exemption being granted.
68. Should the LME at any time suspect that the information provided in an Exemption Application is false or misleading, the LME may refuse an Exemption Application, withdraw or amend the conditions of an Exemption or the level of an Exemption Ceiling without prejudice to taking any further action under its Rules.
69. Applicants must provide supporting evidence to help the LME assess the application. Supporting evidence may include trade data, position data, financial statements, annual reports, internal policies and other pertinent information.
70. The information and evidence as required by the Exemption Application and this policy is not exhaustive and the LME, at its discretion, may seek further information, clarification or evidence to support its analysis of the Exemption Application.
71. Applicants should anticipate an iterative process as the LME assesses the information provided. Applications must be made in good time ahead of the intended effective date of the Exemption in order to allow for the LME to assess the Exemption Application.
72. A suitable person of appropriate seniority (such as but not limited to Head of Compliance) shall attest to the accuracy and completeness of the information provided in the Exemption Application form. The Exemption Application shall not be considered complete without a satisfactory attestation.
73. Information provided in the Exemption Application and associated to further information requests concerning Exemption Applications shall be treated by the LME as Confidential Information.
74. The LME shall assess Exemption Applications and promptly communicate its decision to the applicant.

#### Available Exemptions

75. Firms may apply for the following Exemptions for their eligible positions (i.e. a position which meets the criteria to obtain an Exemption, noting that the LME retains full discretion as to whether it will grant the Exemption):
  - (a) **“Hedging Exemption”** – a non-financial entity which holds eligible positions in one or more Critical Contracts and Related Contracts for the purposes of reducing risks directly related to its commercial activity;
  - (b) **“Pass-Through Hedging Exemption”** – a financial entity which holds eligible positions in one or more Critical Contracts and Related Contracts for the purposes of enabling a non-financial entity to benefit from the Hedging Exemption or to offset an OTC position held with a non-financial entity which is conducting hedging activity; or
  - (c) **“Liquidity Provider Exemption”** – a financial entity or a non-financial entity which holds eligible positions in one or more Critical Contracts and Related Contracts and those positions are



objectively measurable as resulting from a transaction consistent with obligations to provide liquidity via an LME-approved liquidity provider scheme.

#### Hedging Exemption

76. On the basis of the information provided in the Exemption Application and during the Exemption Application process, the LME must be satisfied that the position held by the non-financial entity:
- (a) is objectively measurable as reducing risks directly relating to their commercial activity; and
  - (b) either:
    - i. reduces the risks arising from the potential change in the value of assets, services, inputs, products, commodities or liabilities that the non-financial entity or its group does (or reasonably anticipates that it will) own, produce, manufacture, process, provide, purchase, merchandise, lease, sell or incur in the normal course of its business; or
    - ii. qualifies as a hedging contract pursuant to UK-adopted IFRS as defined in the FCA rules; and
  - (c) is capable of being unwound in an orderly way.
77. Exemption Applications concerning Hedging Exemptions shall include at least the following information, at the time of the Exemption Application and in relation to the following 12 months from the date of submission:
- (a) an explanation as to how the applicant is a non-financial entity as defined under the FCA rules;
  - (b) a description of how the position complies with the requirements of paragraph 76;
  - (c) a description of the nature and value of the non-financial entity's commercial activities in the metal underlying the Contract for which an exemption is sought;
  - (d) a description of the nature and value of the non-financial entity's activities in the trading of and positions held in the relevant Contract as well as in over-the-counter contracts;
  - (e) a description of the nature and size of the exposures and risks in the metal which the non-financial entity has or expects to have as a result of its commercial activities and which are or would be mitigated by the use of Contracts and over-the-counter contracts; and
  - (f) an explanation of how the non-financial entity's use of Contracts and over-the-counter contracts directly reduces its exposure and risks in its commercial activities.
78. The non-financial entity shall:
- (a) provide internal policies describing:
    - i. the types of Contract and over-the-counter contracts included in the portfolios used to reduce risks directly relating to commercial activity and their eligibility criteria;
    - ii. the link between the portfolio and the risks that the portfolio is mitigating; and
    - iii. the measures adopted to ensure that the positions concerning those contracts in (i) serve no other purpose than covering risks directly related to the commercial activities of the non-financial entity, and that any position serving a different purpose can be clearly identified; and
  - (b) provide a sufficiently disaggregated view of the portfolios in terms of distinguishing between Contracts and over-the-counter contracts, underlying metal, time horizon and other relevant factors.



79. A condition of a Hedging Exemption is that the Exemption Holder shall notify the LME:
- (a) promptly if there is a significant change relevant to the nature or value of the non-financial entity's commercial activities or its trading activities in Contracts and over-the-counter contracts, and the change is relevant to the information required in the Exemption Application;
  - (b) promptly of a breach of any condition relating to an Exemption; and
  - (c) in any event, on an annual basis, of its intention to rely on the Exemption or otherwise, and supplying any changes to the information previously submitted in accordance with the Exemption Application so the LME can re-assess whether to grant the Exemption (i.e. the Exemption automatically expires unless it successfully reapplies).

#### Pass-Through Hedging Exemption

80. On the basis of the information provided in the Exemption Application and during the Exemption Application process, the LME must be satisfied that:
- (a) the financial entity enters into a Contract for the purposes of enabling a non-financial firm to benefit from the Hedging Exemption; and/or
  - (b) the financial entity enters into a Contract for the purpose of off-setting the risk arising from an over-the-counter contract with a non-financial entity facilitating hedging activity.
81. Where the paragraph 80(b) above is applicable, the financial entity must obtain and provide to the LME with the Exemption Application written representation from the non-financial entity that the position entered into facilitates hedging activity. For this purpose, the LME shall accept a standardised agreement as provided by the International Swaps and Derivatives Association (ISDA), in Schedule 2.
82. The LME shall not accept Exemption Applications concerning Pass-Through Hedging Exemptions conducted on behalf of anonymised entities.
83. Exemption Applications concerning Pass-Through Hedging Exemptions shall include at least the following information, at the time of the application and where possible in relation to the following 12 months from the date of submission:
- (a) an explanation as to how the applicant is a financial entity as defined under the FCA rules;
  - (b) a description of how the position complies with the requirements of paragraph 80;
  - (c) a description of the financial entity's risk-mitigation services in the metal underlying the Contract for which an Exemption is applied; and
  - (d) a description of the financial entity's trading activity and positions for which an Exemption is applied, in Contracts and over-the-counter contracts that relate to providing risk mitigation services.
84. Where a financial entity is unable to accurately anticipate the information concerning the following 12 months, the LME requires that the financial entity make best efforts to provide information with respect to forward looking activity on the basis of the previous 12 months. In that event, the financial entity must make clear within their application where it has relied on such information.
85. For the avoidance of doubt a Pass-Through Hedging Exemption may not be applied for inventory monetisation or for the purposes of financing arrangements.
86. A condition of a Pass-Through Hedging Exemption is that the Exemption Holder shall notify the LME:
- (a) promptly if there is a significant change to relevant to the information set out in the Exemption Application; and



- (b) on an annual basis of its intention to rely on the Exemption or otherwise, and supplying any changes to the information previously submitted, including information relating to the period for the next 12 months.

#### Liquidity Provider Exemption

- 87. On the basis of the information provided in the Exemption Application and during the Exemption Application process, the LME must be satisfied that:
  - (a) A specific application has been received by the entity for these purposes;
  - (b) The obligations to provide liquidity are clearly defined and relate to observable metrics of market quality, including depth and tightness of the spread;
  - (c) The position arises from discharge of the entity's obligation as a liquidity provider; and
  - (d) The Exemption is temporary in duration and the entity reduces its position as soon as reasonably practicable prior to the expiry of the Contract.
- 88. Exemption Applications concerning Liquidity Provider Exemptions must include at least the following information, at the time of the application:
  - (a) the details of the incentive programme relevant to the application;
  - (b) a description of how the position complies with the requirements of paragraph 87;
  - (c) a description of the liquidity the applicant provides in respect of the Contract for which an Exemption is being requested; and
  - (d) an acknowledgement that the Exemption is temporary in duration and confirmation that the position will be reduced as soon as reasonably practicable and prior to the expiry of the Contract.
- 89. Liquidity Provider Exemptions will expire automatically in the event the incentive programme is terminated or the Exemption Holder ceases to participate in the incentive programme.
- 90. The LME considers that its active incentive programmes are volume-based and therefore would not be eligible for the Liquidity Provider Exemption as market participant activity in the incentive programmes are not measured in relation to observable metrics of market quality including depth and tightness of spread.
- 91. While this is a current assessment of the incentive programmes which are active at the LME, the LME may at its discretion and subject to regulatory non-objection, change this approach in the future should the requirements of the incentive programmes change or new incentive programmes be introduced.
- 92. Notwithstanding the above, the LME shall review Exemption Applications concerning the Liquidity Provider Exemption on a case-by-case basis.

#### **Questions**

- 93. Members, Persons Subject to the Rules or Clients with queries regarding this policy should contact Market Surveillance at [market.surveillance@lme.com](mailto:market.surveillance@lme.com)



## Amendment and Change History

Version	Author	Revisions
February 2026	Market Surveillance	Consultation relating to PS25/1

## Schedule 1

### Regulatory Position Limits

Critical/Related Contract	Spot Month Contracts Regulatory Position Limits (Lots)	Other Months' Contracts Regulatory Position Limits (Lots)
LME Aluminium (AH)	30,000	45,000
LME Copper (CA)	18,000	25,000
LME Nickel (NI)	11,000	14,000
LME Lead (PB)	7,000	8,000
LME Tin (SN)	1,000	1,100
LME Zinc (ZS)	10,000	13,000



## Schedule 2

### ISDA

*“Party [B] represents that, unless it has otherwise notified Party [A] in writing prior to executing a Transaction, each Transaction it enters into under this Agreement facilitates Hedging Activity”*

*“Hedging Activity” means any transaction entered into, or position held, or any other activity by Party [B], that:*

- (1) is objectively measurable as reducing risks directly relating to its commercial activity; or*
- (2) qualifies as a hedging contract pursuant to UK-adopted IFRS (or equivalent accounting standards). [(See note below)]*

*For these purposes, a transaction, position or other activity is “objectively measurable as reducing risks” when it reduces the risks arising from the potential change in the value of assets, services, inputs, products, commodities or liabilities that the non-financial entity or its group owns, produces, manufactures, processes, provides, purchases, merchandises, leases, sells, or incurs or reasonably anticipates owning, producing, manufacturing, processing, providing, purchasing, merchandising, leasing, selling or incurring in the normal course of its business.*

*Note: MAR 10.2.7R specifically allows the trading venue to determine that a transaction is within the Hedging Exemption when either it is objectively measurable as reducing risks or it qualifies as a hedging contract under UK-adopted IFRS.*

To: All members and other interested parties

Ref: [24/135-\[xx/xxx\]](#)

Classification: Membership Disciplinary

Date: ~~02 April 2024~~ [\[xx\]](#) 2026

Subject: **FIXED PENALTIES FOR FIXED PENALTY OFFENCES**

### Summary

1. This Notice [amends and replaces Notice 24/135, and](#) sets out conduct which constitutes a Fixed Penalty Offence (as defined below) and the Fixed Penalty (as defined below) that shall be imposed in respect of each Fixed Penalty Offence. This Notice also sets out the process that applies in respect of the LME imposing a Fixed Penalty on a Member and the process for disputing a Fixed Penalty.
2. 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

3. Terms not otherwise defined herein shall have the meaning ascribed to them in the LME Rulebook (the “**Rulebook**”).

### Fixed Penalty Offences

4. The following breaches of the Rulebook and applicable Notices shall constitute a Fixed Penalty Offence:
  - (a) A failure to comply with the requirements relating to the entry of [orders and](#) trades into the trading and matching systems as set out in the Rules and Administrative Procedures, including but not limited to, the accuracy, completeness or timeliness of entered trades;
  - (b) A failure to comply with the requirement to provide Personally Identifiable Information files to the LME as set out in Notice 17/367 dated 2 November 2017;
  - (c) A failure to accurately report options volatilities in accordance with Regulation 5.7 of Part 3 of the Rulebook;
  - (d) A failure to report transactions to the LME in accordance with Regulation 23 of Part 3 of the Rulebook; ~~and~~
  - (e) [Either a failure to provide a complete and accurate set of data as required pursuant to the](#)



Minimum Volume Threshold (“MVT Rule”) in the execution of trades in the inter-office market as defined in Regulation 2.5A of Part 3 of the Rulebook (as amended from time to time) or where one or more trades that have been executed in the inter-office market fail to adhere to the MVT Rule;

- (f) A failure to comply with a Regulatory Position Limit, in accordance with the Policy Relating to Regulatory Position Limits and Exemptions, and the Rulebook;
  - (g) A failure to comply with an Exemption Ceiling or a condition attached to an Exemption, in accordance with the Policy Relating to Regulatory Position Limits and Exemptions, and the Rulebook; and
  - (h) A failure to comply with any Rule pertaining to a Position Management Control, in accordance with the Policy Relating to Position Management Arrangements, and the Rulebook.
5. The LME shall 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 a Fixed Penalty Offence listed with paragraphs 4(f)-(h) above, which the LME may deem, in its absolute discretion, to be significant, egregious and/ or repeated.
6. 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 Fixed Penalty Offence which the LME may deem, in its absolute discretion, to be significant, egregious and/ or repeated.

#### **Fixed Penalty**

~~5. 7.~~ Any Member who commits a Fixed Penalty Offence listed within paragraphs 4(a)-(d) above on 5 days or more in a calendar month will be subject to a Fixed Penalty as set out below:

- (a) £5,000 for a first incidence;
- (b) £10,000 for a second incidence; and
- (c) £15,000 for each incidence thereafter within a 24-month rolling period (starting from the first incidence).

~~6. 8.~~ Any Member who commits the Fixed Penalty Offence listed at paragraph 4(e) above will be subject to a Fixed Penalty as set out below:

- (a) £5,000 for a first breach;
- (b) £10,000 for a second breach; and
- (c) £15,000 for each breach thereafter within a 24-month rolling period (starting from the first breach).

9. Any Member or Person Subject to the Rules who commits a Fixed Penalty Offence listed within paragraphs 4(f)-(h) will be subject to a Fixed Penalty as set out below:

- (a) £5,000 for a first breach;
- (b) £10,000 for a second breach; and
- (c) £15,000 for each breach thereafter within a 24-month rolling period (starting from the first breach).



## Summary of the Enforcement Process

~~7.~~ 10. In accordance with Regulation 14.7 of Part 2 of the Rulebook and following the occurrence of a Fixed Penalty Offence, the LME shall issue a Member with Fixed Penalty Notice. The Fixed Penalty Notice shall set out: (i) the Fixed Penalty Offence that occurred; and (ii) the date (and, where relevant, the time) on which the Fixed Penalty Offence occurred. The Fixed Penalty Notice will also set out the Fixed Penalty that is payable by a Member, giving the Member thirty (30) calendar days to pay the Fixed Penalty. The Member shall pay the Fixed Penalty, unless the Fixed Penalty is disputed (in which case, the process for disputing a Fixed Penalty is set out at paragraph ~~40~~ 11 below). Where a Fixed Penalty has been paid the LME shall issue a Notice to the market setting out the name of the Member, the Fixed Penalty Offence and the amount of the Fixed Penalty.

### Appealing a Fixed Penalty

~~8.~~ 11. In accordance with Regulation 14.8 of Part 2 of the Rulebook, any Member that wishes to dispute the imposition of a Fixed Penalty may do so by lodging a Fixed Penalty Appeal with the Head of Enforcement within five (5) Business Days of receiving the Fixed Penalty Notice. A Member may only dispute a Fixed Penalty where it has a valid reason to do so, for example that the Fixed Penalty was imposed in error (see also paragraph ~~13-14~~ below).

### Process for Appealing a Fixed Penalty

~~9.~~ 12. The Fixed Penalty Appeal from the Member should set out the reasons for disputing the Fixed Penalty and any evidence in support thereof. The appeal process set out below shall then apply:

- (a) 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 the Rulebook in order to determine the Fixed Penalty Appeal. The Fixed Penalty Appeal shall be conducted in accordance with Regulations 14.60 to 14.68;
- (b) the Disciplinary Committee shall consider whether the Fixed Penalty should be upheld and shall notify the LME and the Member of its decision in writing within twenty (20) Business Days of the conclusion of the Fixed Penalty Appeal hearing. If the Disciplinary Committee determines that the Fixed Penalty should be overturned, then the Member shall not be required to pay the Fixed Penalty. If the Disciplinary Committee determines that the Fixed Penalty should be upheld, then the Member shall pay the Fixed Penalty within thirty (30) calendar days of being informed of the Disciplinary Committee's determination. Once the Member pays the Fixed Penalty, the LME shall publish a notice to the market setting out the name of the Member, the Fixed Penalty Offence and the amount of the Fixed Penalty; and
- (c) the decision of the Disciplinary Committee in respect of a Fixed Penalty Appeal shall be final and there shall be no right to further appeal.

~~40.~~ 13. Failure by a Member to pay either: (i) an undisputed Fixed Penalty within thirty (30) calendar days of receiving a Fixed Penalty Notice; or (ii) a disputed Fixed Penalty upheld by the Disciplinary Committee within thirty (30) calendar days of receiving the written decision of the Disciplinary Committee shall constitute an Act of Misconduct pursuant to Part 2 of the Rulebook.

~~41.~~ 14. For the avoidance of doubt, requests for leniency (citing, for example, unforeseen events, systems issues, staff shortages, etc.) shall not constitute a valid reason for disputing the imposition of a Fixed Penalty. ~~The LME reserves its rights to commence an investigation, in accordance with Regulations 13 and 14 of Part 2 of the Rulebook, in respect of egregious or repeated occurrences of Fixed Penalty Offences.~~

~~42.~~ 15. 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.



**Susan Small**  
**General Counsel & Head of Enforcement, LME Group**  
**Kishan Chandarana**  
**Head of Legal, LME**

cc: Board directors  
Disciplinary Panel



To: All Members and other interested parties

Ref: ~~24/136~~ [X]

Classification: Membership Disciplinary

Date: ~~02 April 2024~~

Subject: **LME: INDICATIVE PENALTIES**

### Summary

1. Pursuant to Regulations 14.35-14.35.7 of Part 2 of the Rules and Regulations of the LME (the "LME Rulebook"), this Notice sets out indicative financial penalties ("Indicative Penalties") for Members, Dealers, ~~and~~ Member Representatives and Persons Subject to the Rules to be attached to certain Acts of Misconduct<sup>1</sup> in the LME Rulebook. The Indicative Penalties represent the level of financial penalty the LME and the Enforcement Committee consider may be appropriate for certain acts of misconduct given no aggravating or mitigating circumstances. The Enforcement Committee has ratified the Indicative Penalties contained within this Notice in accordance with Regulation 14.36 of Part 2 of the LME Rulebook.

### Defined Terms

2. Terms not otherwise defined herein shall have the meaning ascribed to them in the LME Rulebook.

### Background

3. This Notice withdraws and replaces Notice ~~24/136~~ 24/107 dated ~~2 April~~ June ~~2024~~ ("Notice ~~24/136/107~~"). The purpose of this Notice is to explain that significant, egregious and or repeated breaches of a Regulatory Position Limit, an Exemption Ceiling or condition attached to an Exemption Ceiling, or any Rule pertaining to a Position Management Control shall be treated as breaches which may bring the LME or any of its markets into disrepute and be subject to a penalty as set out within this Notice.:
  - ~~(a) provide a summary of the investigation and enforcement processes as described at Regulation 14 of Part 2 of the LME Rulebook (the "Rulebook"), given that a number of changes have been made to Regulations 13 and 14 of Part 2 of the Rulebook following Notice 24/134;~~
  - ~~(b) set out revised Indicative Penalties for Members, Dealers and Member Representatives<sup>2</sup> which the LME and the LME Enforcement Committee consider may be appropriate for certain Acts of Misconduct<sup>3</sup> given no aggravating or mitigating circumstances;~~
  - ~~(c) provide guidance on what the LME considers to be aggravating and mitigating circumstances when assessing the appropriate level of a financial penalty for breaches of the LME Rulebook; and~~
  - ~~(d) revise and update certain references to the LME Rulebook that are referred to herein.~~
4. ~~This Notice also advises Members of certain changes to the Indicative Penalties that were set out in Notice 24/107. These changes are set out below:~~

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<sup>1</sup> As defined in Regulation 13.2 of Part of the LME Rulebook.

<sup>2</sup> This Notice related to Indicative Penalties for Members, Dealers and Member Representatives pursuant to the LME Rulebook. It does not address indicative penalties for LME-listed warehouses pursuant to the LME disciplinary Procedures Handbook.

<sup>3</sup> For the avoidance of doubt, references to an "Act of Misconduct" made throughout this Notice may include more than one Act of Misconduct, depending on the circumstances.



~~The Indicative Penalties for Reporting/Business Processing Breaches have been removed.~~

~~(a) These breaches are now covered by the fixed penalty regime as notified to Members pursuant to Notice 24/135; and~~

~~(b) The LME has updated the guidance in certain sections of Notice 21/107 where it has considered such updates to be appropriate.~~

## Nature and Scope this Notice

- ~~5.~~ 4. The LME considers that any penalty imposed, including the level of any fine, should reflect the nature, gravity and circumstances of the relevant Act or Acts of Misconduct as well as being sufficient to act as a credible deterrent to: (i) the Member or Person Subject to the Rules from committing a future Act of Misconduct; and (ii) other Members or Person Subject to the Rules from committing a similar Act of Misconduct. This is the framework upon which this guidance has been prepared and upon which the LME approaches enforcement of the LME Rulebook.
- ~~6.~~ 5. The Indicative Penalties that are set out in this Notice are the starting point in the LME's or the Enforcement Committee's, or relevant Disciplinary Committee or Appeal Committee's (as the case may be) assessment of the financial penalty that is to be imposed upon a Member, Dealer, ~~or~~ Member Representative or Person Subject to the Rules, whether through settlement or disciplinary proceedings, for certain Acts of Misconduct. In determining the appropriate financial (or non-financial) penalty to be imposed, the specific circumstances of the Act of Misconduct in question shall be taken into account by, the Enforcement Committee, a Disciplinary Committee, an Appeal Committee or the LME (as applicable), including any aggravating or mitigating factors. This means that the level of any financial penalty that is imposed in relation to a particular Act of Misconduct may be above or below the relevant Indicative Penalty.
- ~~7.~~ 6. For the avoidance of doubt, the Indicative Penalties that are set out in this Notice are not intended in any way to fetter the discretion of the Enforcement Committee, a Disciplinary Committee, or an Appeal Committee, or the LME to impose any penalty, including a non-financial penalty that is deemed appropriate in the circumstances. This Notice is not intended to be exhaustive, and there may be other factors to be taken into account when consideration is being given to the specific circumstances of any particular Act of Misconduct, including those for which Indicative Penalties are provided in this Notice.
- ~~8.~~ 7. The LME is mindful that the action it takes against Members, Dealers, ~~and~~ Member Representatives and Persons Subject to the Rules for breaches of the LME Rulebook must be appropriate and in accordance with its own regulatory obligations. The LME believes that it is not possible or appropriate to formulate Indicative Penalties for every potential rule breach. However this Notice provides Indicative Penalties for certain breaches for which the LME considers financial penalties are able to be appropriately set.
- ~~9.~~ 8. The LME may update or supplement this Notice from time to time, whether in the form of Notices or in other communications from the LME.

## Summary of the Investigation and Enforcement Process

- ~~10.~~ 9. Pursuant to Regulation 13 of Part 2 of the LME Rulebook, the LME may, in its absolute discretion, conduct an Investigation where it considers that there is sufficient evidence to suspect that one or more Acts of Misconduct (as defined in Regulation 13.2 of Part 2 of the LME Rulebook) may have occurred.
- ~~14.~~ 10. During an Investigation, the LME will request information from the Member or Person Subject to the Rules concerned and may (pursuant to Regulation 13.6 of Part 2 of the LME Rulebook) require that meetings and/or interviews be held with representatives from the Member or Person Subject to the Rules to answer questions or provide explanations on issues that the LME considers relevant to the Investigation.
- ~~12.~~ 11. Once the LME has completed its Investigation the LME may take one or more of the following courses of action, as applicable, pursuant to Regulation 14.1 of Part 2 of the LME Rulebook:



- (a) Take no further action: if, after having submitted an investigation report to the Enforcement Committee, the Enforcement Committee determines, on the balance of probabilities, that an Act of Misconduct has not occurred;
- (b) Issue a Private Warning: if the LME considers that a violation of the LME Rulebook has occurred, it may, at its absolute discretion, determine to issue a Private Warning. Private Warnings will normally be issued for minor, uncontested violations of the LME Rulebook. However, there may be other instances where, given the specific circumstances of the case, the LME considers it appropriate to issue a Private Warning. Private Warnings are, by their nature, private communications between the LME and the Member, Dealer, ~~or~~ Member Representative or Person Subject to the Rules and will not be published by Notice. A Private Warning shall not constitute an official form of disciplinary sanction but may be taken into account by the LME or the Enforcement Committee or any Disciplinary Committee or Appeal Committee when considering any subsequent Act of Misconduct by the Member, Dealer, ~~or~~ Member Representative or Person Subject to the Rules who has received a Private Warning. There is no right of appeal against a Private Warning;
- (c) Impose a Fixed Penalty: a Fixed Penalty may be imposed on a Member, Person Subject to the Rules or Client of Concern if the Act of Misconduct constitutes a Fixed Penalty Offence. A Member may appeal the imposition of a Fixed Penalty in accordance with the procedures set out between Regulations 14.5760 and 14.6568 of Part 2 of the LME Rulebook and Notice [X], as amended from time to time; and
- (d) Recommend to the Enforcement Committee that disciplinary action be taken either by way of the commencement of disciplinary proceedings or settlement: where the LME considers that there is evidence that an Act of Misconduct has occurred, and the courses of action at paragraphs 121 (a) – (c) above are not deemed appropriate, the Enforcement Committee may determine that disciplinary proceedings should be commenced against the relevant Member, Dealer, ~~or~~ Member Representative or Person Subject to the Rules concerned.

#### Disciplinary Proceedings

- ~~43.~~ 12. If the Enforcement Committee considers it appropriate for the LME to commence disciplinary proceedings, a Notice approved by it setting out the alleged Act of Misconduct, together with a summary of the facts relied upon, shall be served by the LME on the Member, Dealer or Member Representative. The Member, Dealer, ~~or~~ Member Representative or Person Subject to the Rules shall have twenty (20) Business Days from service of the Notice to serve a Defence.
- ~~44.~~ 13. If a Member, Dealer, ~~or~~ Member Representative or Person Subject to the Rules serves a Defence within twenty (20) Business Days, the LME will consider the Defence and may choose either to (a) continue disciplinary proceedings, (b) discontinue disciplinary proceedings, or (c) issue a Private Warning. In the case of (a), the Head of Enforcement will refer the case to the Chairman of the Disciplinary Panel who will constitute a Disciplinary Committee in accordance with Regulation 14.844 of Part 2 of the LME Rulebook in order to hear and determine the case. The Disciplinary Committee will notify the LME, and the Member, Dealer, ~~or~~ Member Representative or Person Subject to the Rules in writing that it has been constituted and the date on which it has been constituted. In the case of (b) or (c), any such decision will be subject to ratification by the Enforcement Committee and will not be effective until such ratification. Following ratification, the LME will inform the Member, Dealer, ~~or~~ Member Representative or Person Subject to the Rules of the decision in writing.

#### Appeals

- ~~45.~~ 14. Within ten (10) Business Days of service of the Disciplinary Committee's decision, either the Member, Dealer, ~~or~~ Member Representative or Person Subject to the Rules or LME may appeal the decision by serving a Notice of Appeal on the Chairman of the Appeal Panel and the LME, in accordance with Regulations 14.401 and Regulations 14.40-42 of Part 2 of the LME Rulebook. On receipt of the Notice of Appeal, the Chairman of the Appeal Panel will constitute an Appeal Committee, in accordance with Regulation 14.825 of Part 2 of the LME Rulebook, to determine the appeal. The decision of the Appeal Committee will be notified to the parties as soon as



practicable and shall be final.

### Settlement

~~16.~~ 15. The LME and Member, Dealer, ~~or~~ Member Representative **or Person Subject to the Rules** may, pursuant to Regulation 14.6~~69~~ of Part 2 of the LME Rulebook, agree to a settlement in lieu of disciplinary proceedings. Settlement may be agreed between the LME and Member, Dealer, ~~or~~ Member Representative **or Person Subject to the Rules** at any time after the issuance of an Notice of Investigation (“NoI”) up to the commencement of the disciplinary hearing. Any settlement negotiations that occur shall be conducted on a without prejudice basis, including any settlement discussions in which a settlement discount may apply. If the LME and Member, Dealer, ~~or~~ Member Representative **or Person Subject to the Rules** agree to a settlement, the terms of such settlement must be submitted to the Enforcement Committee in the form of a settlement agreement for ratification. The terms of a settlement agreement will not take effect until the settlement agreement is ratified by the Enforcement Committee. All settlement agreements that are ratified by the Enforcement Committee have the same status as a decision served by a Disciplinary Committee.

### Settlement Discount

~~17.~~ 16. A reduction of 30% in the amount of the financial penalty that would otherwise apply will be offered to a Member, Dealer, ~~or~~ Member Representative **or Person Subject to the Rules** if they agree to a settlement from any time between an NoI being issued and such time as the Enforcement Committee considers in its absolute discretion to be reasonable and appropriate (the “Settlement Window”). As a general guide, the Enforcement Committee will consider a three month period (from the date that settlement discussions begin) to be a reasonable amount of time for the Settlement Window. However, there may be circumstances when the Settlement Window should be extended (for example, if a case is particularly complex). If such a situation arises, the LME may request the Enforcement Committee to grant an extension to the Settlement Window and the Enforcement Committee may grant such additional time as it considers reasonable and appropriate. The 30% reduction for settlement within the Settlement Window will operate as an automatic discount after the decision on the applicable financial penalty has been agreed, that is after all relevant circumstances, including mitigation, have been taken into account by the Enforcement Committee. In certain circumstances and, depending on the particular facts of a case, this may mean that settlement is agreed between the LME and a Member, Dealer, ~~or~~ Member Representative **or Person Subject to the Rules** for an amount that is below the Indicative Penalties contained within this Notice. A settlement discount will not be applied to any settlements that are agreed between the LME and a Member, Dealer, ~~or~~ Member Representative **or Person Subject to the Rules** after the expiry of the Settlement Window.

~~18.~~ 17. In addition to a settlement discount, the LME may, in the exercise of its discretion, award an additional discount to a Member, Dealer, ~~or~~ Member Representative **or Person Subject to the Rules** who has demonstrated good co-operation with the Exchange’s enquiries (in accordance with Regulation 13.6 of Part 2 of the Rulebook) during the course of an Investigation. The co-operation discount and the settlement discount, if applied to a financial penalty, shall be applied independently of one another. This means that the application of the settlement discount shall first be applied to a financial penalty. The co-operation discount shall then be applied to the amount of the financial penalty after the settlement discount has been applied.

### **Acts of Misconduct and Indicative Penalties**

~~19.~~ 18. This section of the Notice sets out a non-exhaustive list of Indicative Penalties for certain Acts of Misconduct. It is the view of the LME that it is inappropriate, however, to prescribe Indicative Penalties for certain Acts of Misconduct, particularly for market abuse.

~~20.~~ 19. Market abuse may constitute both a civil offence under the UK Market Abuse Regulation as well as a criminal offence under UK law. Therefore the LME will refer any potential instances of market abuse it detects on its market without delay to the UK Financial Conduct Authority (the “FCA”). This will not preclude the LME from itself commencing an investigation into a potential instance of market abuse and ultimately commencing disciplinary action if appropriate. The LME takes any form of market abuse extremely seriously and the LME Rulebook also makes clear



that any such behaviour is prohibited on the LME.<sup>4</sup> Given its serious nature, the LME does not consider it appropriate to prescribe any Indicative Penalties for Acts of Misconduct relating to market abuse.

### **Bringing the LME or any of its Markets into Disrepute**

~~21.~~ 20. Regulation 13.2~~(vi)~~ of Part 2 of the Rulebook states that an Act of Misconduct includes: “conduct which has brought or may be likely to bring the Exchange or any of its markets into disrepute.”

Examples of conduct in breach of this Regulation might include, without limitation:

(i) a deliberate failure to adhere to the Lending Rules, or (ii) a serious failure to observe high standards of market conduct, ~~or~~ (iii) knowingly engaging in conduct that causes a Client or Clients to be disadvantaged; (iv) a breach of a Regulatory Position Limit, an Exemption Ceiling or condition attached to an Exemption, or any Rule pertaining to a Position Management Control. It should be noted that it is possible that this Regulation could be breached in addition to other Acts of Misconduct (e.g. if market abuse occurs on the LME, the behaviour could in turn bring the LME market into disrepute. Due to the potential for this Act of Misconduct to undermine the integrity of the LME market, the LME considers the Indicative Penalty set out below to be appropriate. However, depending on the extent of the breach and the circumstances in which it occurred, this penalty could be significantly more than the level set out below.

Indicative Penalty: £400,000 and upwards.

### **Member Systems and Controls**

~~22.~~ 21. Regulation 12.6(c) of Part 2 of the LME Rulebook states that a Member shall: “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.”

~~23.~~ 22. Without limitation, any failure of any of surveillance, monitoring, compliance, and/or management control may indicate that a breach of this Regulation has occurred. Examples of failings which might constitute a breach include: (i) failure to provide adequate training for staff responsible for LME surveillance, (ii) failure to have adequate procedures in place to ensure compliance with the LME Rulebook or (iii) failure to have adequate systems and controls in order to detect, deter and deal with potential incidences of market abuse.

~~24.~~ 23. Breaches might range from minor to more serious failures. Where such failures are isolated, with no notable market impact (or potential to have a notable market impact) this might only warrant a relatively minor penalty. A more systemic or serious failure of systems, controls or processes might warrant a significantly larger financial penalty. A breach may be serious or systemic (without limitation) where one or more of the following has occurred: (i) where the breach has occurred with significant frequency and/or duration, (ii) where the breach was known, or ought to have been known, to senior management yet senior management took no action to remedy the situation (iii) where the breach had a notable market impact or had the potential to have had such an impact or (iv) where there are a number of different systems and control failures. Along with a financial penalty, Members in breach of this Regulation should also expect the LME to consider a non-financial penalty such as (but not limited to) requiring a remedial plan to be undertaken or obtaining independent assurance as to the appropriateness of systems and controls.

Indicative Penalty for minor breach: £100,000 and upwards.

Indicative Penalty for a serious or systemic failure: £400,000 and upwards.

<sup>4</sup> Please especially see Regulation 12.7 of Part 2 of the LME Rulebook and Regulation 14 of Part 3 of the LME Rulebook.

## **Dealing with the LME in an open and cooperative manner**

~~25.~~ 24. Regulations 12.6(m) and 12.6.2 (c) of Part 2 of the LME Rulebook states that a Member and a Person Subject to the Rules shall: “deal with the Exchange in an open and cooperative manner, and keep the Exchange promptly informed of any matter concerning the Member/ [in the case of Persons Subject to the Rules] which the Exchange might reasonably expect to be disclosed to it. This duty of disclosure shall arise as soon as the Member/Person Subject to the Rules becomes aware, or has reasonable grounds for believing, that such a matter has arisen or will arise”.

~~26.~~ 25. This Regulation has two elements, namely:

- (i) To deal with the LME in an open and cooperative manner (“Element 1”); and
- (ii) To keep the LME promptly informed of anything concerning the Member which might reasonably be expected to be disclosed to it (“Element 2”, together with Element 1, the “Elements”).

~~27.~~ 26. It may be that particular factual circumstances result in both Element 1 and Element 2 being breached, or that only one of the Elements is breached. The LME requires its Members and Persons Subject to the Rules to be open, transparent and cooperative with the LME at all times. This is key to the LME being able to maintain its orderly market. This expectation applies in the ordinary course of the Member’s and Persons Subject to the Rules dealings with the LME, including during the course of enquiries made of the Member by the LME, whether in the course of an Investigation or otherwise<sup>5</sup>. Equally, the LME expects a Member and Person Subject to the Rules to disclose any matter falling under Element 2 to the LME as soon as the Member or Person Subject to the Rules either becomes aware, or ought to have become aware, or has reasonable grounds for believing that such a disclosure matter has arisen or will arise. Failure to do so may have the potential to impact the market or the LME’s ability to make timely and appropriate decisions in order to maintain an orderly market and comply with its regulatory obligations (as indeed may a breach of Element 1). A minor breach may occur where (without limitation) a Member or Person Subject to the Rules unintentionally fails to disclose something which might reasonably be expected to be disclosed to the LME but which has no notable market or regulatory impact (or potential to have a notable market or regulatory impact). A serious breach may (without limitation) occur if for example a Member or Person Subject to the Rules has failed to be honest and truthful with the LME, or has knowingly misled or concealed any matter or if the breach has a notable market or regulatory impact or potential to have a notable market or regulatory impact. The LME would also consider that Members or Persons Subject to the Rules who withhold or fail to disclose relevant information from the LME during the course of an Investigation or as otherwise required under the Rules or otherwise may have breached this Regulation.<sup>6</sup>

Indicative Penalty for minor breach: £75,000 and upwards.

Indicative Penalty for serious breach: £250,000 and upwards.

## **Conduct of Business and Treatment of Clients**

~~28.~~ 27. The LME expects its Members to adhere to relevant FCA rules and guidance regarding business standards, including, without limitation, the Conduct of Business Sourcebook and the Handbooks relating to Client Assets (CASS) and Market Conduct (MAR). The LME also expects its Members to observe relevant LME Rules, Administrative Procedures and guidance regarding conduct of business and treatment of Clients<sup>7</sup>. Pursuant to Regulation 12.6(a) of Part 2 of the

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<sup>5</sup> See also Regulations 12.1-12.4 and 13.6(v) of Part 2 of the LME Rulebook.

<sup>6</sup> Please note the LME would not consider it a breach of this Regulation if the Member was unable to disclose information if prevented to do so by another regulatory authority or at law, or if the information was subject to legal professional privilege or its equivalent in the relevant jurisdiction. For the avoidance of doubt, confidentiality provisions in contracts/agreements/arrangements with clients or other parties are not sufficient reason to fail to respond to queries made by the LME or provide relevant documentation to the LME.

<sup>7</sup> In addition to compliance with relevant LME Rules, Administrative Procedures and guidance regarding conduct of business and treatment of Clients, the LME understands that with regards to the latter, and as at the date of this Notice, Members may be subject to greater regulatory obligations following amendments to applicable UK statutory and common law.

LME Rulebook, a Member shall: “*observe high standards of integrity and fair dealing*”. In addition, Regulation 12.6(d) of Part 2 of the LME Rulebook states that a Member shall “*not unfairly place their interests above those of their Clients*” and “*either avoid any conflict of interest arising between itself and a Client or, where conflicts arise, manage conflicts of interest fairly*”. Without limitation, the LME expects its Members to act honestly, fairly and professionally at all times in their dealings with Clients. Conduct which causes or could be reasonably expected to cause a Client or Clients to be disadvantaged would, in most cases, be regarded as a serious breach of the Rules ~~and, depending on the specific circumstances, may constitute a breach of Regulation 13.2(vi) of Part 2 of the LME Rulebook.~~

~~29.~~ 28. The LME believes that, for the purposes of setting out Indicative Penalties regarding breaches relating to conduct of business and treatment of Clients, breaches can be categorised into different levels of intention/knowledge, as follows: negligent, reckless and deliberate.

#### *Negligent*

- (i) This covers cases where a Member had failed to act with due care and skill, but did not have a deliberate or reckless intention to disadvantage a Client and did not have a reckless disregard as to whether that Client would be disadvantaged.

Indicative Penalty £125,000 and upwards.

#### *Reckless*

- (ii) This covers cases where the person involved acted in a reckless manner, for example, where the conduct was such that no reasonable person could have failed to have known that Client disadvantage would result. Therefore, the resulting Client disadvantage was so obvious that the person involved must have either given no thought to the possibility of a Client being disadvantaged or recognised that it would have that result but chose to ignore its occurrence. Accordingly, the person was reckless in his conduct and in his regard for the Client's interest. However, mere negligence and a simple error or failure in the duty of care owed to a Client would not be covered by this Indicative Penalty.

Indicative Penalty £250,000 and upwards.

#### *Deliberate*

- (iii) This covers cases where the person involved deliberately set out to engage in conduct knowing that a Client would be harmed or where, when a situation arose, the person involved deliberately took advantage of the circumstances. An example would be if there had been a *bona fide* error in the execution of a Client order and an improvement has been achieved, yet the improvement has been deliberately withheld from the Client. However, should it be considered that the Client disadvantage was premeditated, this might be considered an aggravating factor (see paragraph ~~33~~ 32 below).

Indicative Penalty £400,000 and upwards.

#### **Conduct impacting the operation of LMEselect**

~~30.~~ 29. Conduct which impacts the operation of LMEselect has the potential to undermine the integrity and / or transparency of one or more of the LME markets. In extremis, such conduct may give rise to a disorderly market, distort the pricing mechanism or cause a total shutdown of the market. The type of activity that falls under this category includes (but is not limited to) the submission of excessive automatically-generated orders by Members using algorithms, instances where a Member has submitted erroneous or aberrant orders to LMEselect or instances where a Member has submitted an order or a series of orders which it should have known would cause or would be likely to cause a disorderly market.

~~31.~~ 30. A minor breach would be an isolated incident which had little or no market impact (or the potential to have little or no market impact). A breach would be considered serious if one or more of the following occurred: (i) the incident was of significant duration and / or there were multiple incidents over a period of time; (ii) the incident(s) caused significant market impact (or had the

potential to cause significant market impact) and/or delayed, disrupted or overloaded the LMEselect trading system; and/or (iii) the Member had insufficient order management controls and procedures in place to prevent an algorithm from misfiring or the submission of erroneous or aberrant orders, or to deal with either situation. It should be noted that conduct which could give rise to a disorderly market and/or delays, disrupts or overloads LMEselect might constitute a breach of a number of different Regulations, including but not limited to, Regulations 12.6(c), 12.6(g) of Part 2 of the Rulebook and Regulation 14 of Part 3 of the Rulebook. However depending on the circumstances and the Acts of Misconduct involved, this penalty could be significantly more than the amount that is set out below for a serious breach. For the avoidance of doubt, the Indicative Penalties do not apply in circumstances where the Act of Misconduct could amount to market abuse.

Indicative Penalty for minor breach: £30,000 and upwards.

Indicative Penalty for serious breach: £125,000 and upwards.

### **Delivery Default**

~~32-~~ 31. As noted above, the reputation of the LME rests on, amongst other things, the integrity of LME Contracts, and market users must have confidence that the Contracts they enter into are binding. Offences in this category include not only a failure to deliver on the due date, but also failures to meet relevant deadlines set out by the relevant Clearing House. Pursuant to Regulation 9.4.6.2 of Part 3 of the LME Rulebook, the LME may prescribe such penalties for non-delivery of Warrants as it may from time to time deem fit by Notice. This Notice shall constitute notice of such penalties for non-delivery. The Indicative Penalties below cater for a delivery default of all sizes, although the greater the number of lots that are the subject of a delivery default, the impact to the market will be more significant and therefore the Indicative Penalty is likely to be increased. Members should note that in the event of a delivery default, the LME Clear Rulebook would also be applicable. LME Clear in these circumstances would also take such action as it deemed appropriate and as is open to it pursuant to the LME Clear Rulebook.

Indicative Penalty: ½% of the notional value of each lot which is the subject of a delivery default, subject to an Indicative Penalty of £125,000 and upwards.

### **Aggravating and Mitigating Factors**

~~33-~~ 32. As explained above, the Indicative Penalties should only be used as the starting point for the assessment of financial penalties whether by a Disciplinary Committee, Appeal Committee, the Enforcement Committee or the LME in negotiating a settlement with a Member, Dealer, ~~or~~ Member Representative or Person Subject to the Rules. When evaluating the appropriate financial (or other) penalty for a particular Act of Misconduct, the full circumstances of the Act of Misconduct must be taken into account. What level of financial (or other) penalty may be appropriate in the circumstances may be impacted by (but not be limited to) the below considerations, which may be aggravating or mitigating. These will also be considered by a Disciplinary Committee, Appeal Committee, the Enforcement Committee or the LME in negotiating a settlement, regardless of whether an Indicative Penalty exists for the Act of Misconduct(s) in question:

- (a) the extent to which the Act of Misconduct was committed deliberately recklessly, or negligently;
- (b) how the Act of Misconduct came to light including the conduct of the Member or Person Subject to the Rules in bringing (or failing to bring) the matter to the LME's attention;
- (c) the nature, duration and frequency of the Act of Misconduct. Where a Member, Dealer, ~~or~~ Member Representative or Person Subject to the Rules has committed the same Act of Misconduct within a 24 month rolling period, this should be considered as a significant aggravating factor. As such, the sanction is likely to be materially greater than the Indicative Penalty proposed for a single instance of an Act of Misconduct;

- (d) the presence of multiple but different Acts of Misconduct;
- (e) whether the Act of Misconduct increases the risk that financial crime or other breaches of law or regulation might occur;
- (f) the extent of the Member, Dealer, ~~or~~ Member Representative's ~~or~~ Person Subject to the Rules' responsibility for the Act of Misconduct involved and the extent they take responsibility for the Act of Misconduct;
- (g) the systems and controls which the Member had in place to prevent such Act of Misconduct from occurring and to detect, deter and deal with the relevant behaviour;
- (h) whether the Act of Misconduct reveals serious or systemic issues with the Member's procedures, management, systems or controls;
- (i) the extent, if any, to which the Member, Dealer, ~~or~~ Member Representative ~~or~~ Person Subject to the Rules benefited (or sought to benefit) from the Act of Misconduct;
- (j) the impact or potential impact on the market, its orderliness and its participants and the extent to which this was serious or potentially serious;
- (k) the prior conduct and disciplinary record of the Member, Dealer, ~~or~~ Member Representative ~~or~~ Person Subject to the Rules (including any informal warnings issued by the LME);
- (l) the extent to which the LME had previously raised concerns to a Member, Dealer, ~~or~~ Member Representative, ~~or~~ Person Subject to the Rules including by means of a Private Warning;
- (m) the degree of co-operation and assistance provided by the Member, Dealer, ~~or~~ Member Representative ~~or~~ Person Subject to the Rules to the LME following the occurrence of the Act of Misconduct and during the Investigation; and
- (n) any remedial action undertaken by the Member ~~or~~ Person Subject to the Rules since the Act of Misconduct was identified, including when that remedial action was taken.

~~34.~~ 33. Whilst financial penalties of an appropriate level must be set for individual Acts of Misconduct pursuant to the LME Rulebook, it may be appropriate in certain circumstances to ascertain an appropriate aggregate penalty for multiple Acts of Misconduct, looking at the underlying conduct and circumstances as a whole. However it should be noted that aggregation will not always be appropriate and will not automatically occur where multiple Acts of Misconduct are present. The financial penalty imposed must be appropriate and proportionate to the breach(es) that have taken place, and must be reasonable in all the circumstances.

~~35.~~ 34. The penalties set out within this Notice shall be reviewed on a two yearly basis.

**Kishan Chandarana Susan Small**  
**Head of Legal, LME General Counsel & Head of Enforcement, LME Group**

cc: Board directors  
 Enforcement Committee  
 Disciplinary Panel  
 Appeal Panel

To: All members and other interested parties

Ref: ~~[24/137]~~ [xx/xxx]

Classification: General Updates Membership

Date: ~~02 April 2024~~ [xx] 2026

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

## Summary

- 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.
- ~~On 2 April 2024, the LME issued Notice 24/137 which This Notice~~ withdrews and replaces 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 ~~this~~ Notice 24/137 was is to:
  - 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
  - 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 ~~this~~ Notice 24/137<sup>1</sup>.
- This Notice serves to amend and replaces Notice 24/137.
- 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

- ~~3-~~ 5. Capitalised terms otherwise not defined herein shall have the same meaning ascribed to the in the LME Rulebook.

~~Peter Mason~~ Joe Morrison  
Head of Market Surveillance

cc: Board directors

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<sup>1</sup> 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 [26 30](#) and [27 31](#) of the LME’s Policy Relating to Position Management Arrangements (the “**Policy**”)<sup>2</sup> 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.](#)
- ~~2.~~ [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 [3 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.
- ~~3.~~ [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 [5 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

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<sup>2</sup> [The Policy was issued by way of Notice 21/042 dated 12 March 2021 and revised by way of this Notice.](#)



out the name of the Member and amount of the automatic penalty charge.

4. 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 2 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 3 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.
5. 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 8 10 to 25 29 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. ~~The LME reserves its rights to open an investigation in respect of egregious or repeated occurrences of Errors.~~



# LME Matching Rules

Version 2.32



## Matching Rules

### Defined Terms

1. Capitalised terms not otherwise defined herein shall have the meaning ascribed to them in the Rules and Regulations of the LME (the “**LME Rulebook**”). These matching rules form part of the Administrative Procedures that may be adopted by the Exchange (also referred to as the “**LME**”) from time to time in accordance with the LME Rulebook.

### General Information

2. All business transacted on the Exchange is subject to price validation, whether that be on an order-by-order basis for business agreed and Executed on LMEselect, or trade-by-trade for business agreed non-electronically (i.e. on the Ring and inter-office market). For the avoidance of doubt, and as set out in Trading Regulation 2, agreement of a trade results in an Agreed Trade that is "Executed", provided that the Acceptance Criteria are satisfied. The point at which Execution occurs on each of the LME’s Execution Venues is set out more fully in Trading Regulation 2.
3. Where an order or trade fails any pre-execution check, including the price validation check, Regulation 3.10.1 of Part 3 of the Rules requires Members to follow the relevant Administrative Procedure in relation to the correction of “**Failed Checks**” (meaning Pre-Execution Checks set out at Regulation 2.8.1 of Part 3 of the Rules that have not been met, and, in respect of Ring trades, the price validation check undertaken on entry of the trade into the Matching System). Where an order or trade fails the price validation check, Members are required to contact the Exchange to explain the rationale as to the price of the rejected order or trade. In relation to the correction of any Failed Checks, the Member may be required to provide such additional information as the Exchange deems necessary and appropriate in determining whether the relevant order or trade should be permitted to be re-submitted in its original form. Members should note that where re-submission has been permitted, there may be a requirement to post additional collateral to the Clearing House, and Members must comply with such requirements.



4. The hours on each Business Day during which the Matching System is open and able to receive information regarding Agreed Trades (being the "Opening Hours" for the purpose of the LME Rulebook) are 01:00 to 20:00 London time in respect of trades for the LME Base Service. Requests for extensions to the TOM matching deadline or the London inter-office trade input deadline will only be granted in exceptional circumstances. Requests must be made to LME [Inter-Office Trading](mailto:interofficetrading@lme.com) ~~Post-Trade Operations~~ no later than 15 minutes prior to the relevant deadline (email: [interofficetrading@lme.com](mailto:interofficetrading@lme.com) ~~posttradeoperations@lme.com~~; tel. no. +44 (0)20 7113 8201). The relevant deadlines are as follows:

**LME Base Service**

TOM Trading Deadline: 12:30 London time  
TOM Matching Deadline: 13:30 London time  
Trade Input Deadline: 20:00 London time

5. The trading hours for the agreement of trades are as follows (all times are London time):

	<b>LME Base Service</b>	
<b>Ring</b>	See the "Trading Time and Dates" section of the <a href="http://www.lme.com">www.lme.com</a>	
<b>LME Select</b>	01:00 – 19:00	
<b>Inter-office</b>	24 hours	



6. For the LME to fulfil its regulatory reporting obligations, the Matching System will connect to LMEselect at 01:00. Members should therefore give consideration as to when they connect to the Matching System. In order to receive all trade messaging Members will be required to login to the system in advance of the 01:00 opening. Should members choose to login after the open they will be required to perform a Trade Mass Status Request whereby only the current state of the transaction is captured.
7. Members are responsible for the input of an Agreed Trade and all relevant particulars of an Agreed Trade into the Matching System within the timescales set out in Regulation 3.5 of the Trading Regulations, subject that registration of Agreed Trade halves agreed during Asian business hours (including those arranged by a Registered Intermediating Broker) must be submitted to the Matching System by 08:30. Members are not obligated to submit Agreed Trade halves from 01:00, when the Matching System opens.
8. Members must retain a full audit trail for all orders submitted to LME Select, all Agreed Trades agreed non-electronically, and all post-trade operations. The audit trail should contain sufficient information to demonstrate a complete history of the transaction, if requested by the Exchange. Where Members have Executed transactions in currencies other than US Dollars, the audit trail for these transactions must include the relevant US Dollars price and the FX rate used to calculate the non-US Dollars price. In addition, Members must ensure that they have appropriate documentation in place with their Clients prior to arranging, agreeing or Executing orders received from them (e.g. give-up agreement etc.).
9. Cash-Settled Futures, LMEmini Contracts, Monthly Average Futures, and Premium Contracts may only be executed in US Dollars. All other contracts may be executed in US Dollars, Euro, Japanese Yen or Pounds Sterling.
10. Agreed trades that are agreed as Carries should be entered as such in to the Matching System and the audit trail for the transaction should clearly demonstrate whether a trade is an outright or a Carry. When submitting Carry



trades into the Matching System, Members must follow market convention and enter the near leg first followed by all other legs in chronological prompt date order.

11. Members are advised that where there is a requirement to adjust (Reversal/Correction) a previously registered Member to Member Carry trade when the near leg has expired all subsequent legs should be entered to the Matching System as outright trades. Where a Member to Client Carry trade requires adjustment, only the individual leg that requires adjustment need be reversed and then corrected, where appropriate.
12. Members must not use the LME Base Service for any abusive practice which may include, but is not limited to, the avoidance or evasion of the Rules or any Administrative Procedure.
13. Members are reminded that, when entering trades to the Matching System they must use their own order/trade data and not rely upon that entered by the other party to the trade.

#### Trade Categories and Post Trade Functions

14. The following trade categories will apply for all business that is agreed non-electronically<sup>1</sup> :
  - **Normal** – is used to enter new market trades Executed on the Ring, Basis Ring (as described in paragraph 16 below), or agreed in the inter-office market (~~including trades agreed via a Fixed Price Auction~~) or via the Matching System. This trade category should also be used when adjusting trades Executed in LME Select following the application of the Lending Rules.
  - **Give-Up Executor/Give-Up Clearer** – is used to effect the give-up of a transaction to another Clearing Member.
  - **OTC Bring-On** – is used to convert a previously executed over-the-counter contract to a Cleared Contract, where the intention is to bring the transaction on-Exchange. Further information regarding the OTC Bring-On trade category is contained in the section headed “OTC Bring-Ons and OTC Backloading” below.

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<sup>1</sup> Business Executed via LME Select will always have a Trade Category of Normal.



- **OTC Take Off** – is used to convert an on-Exchange Contract to an over-the-counter contract.
- **Financing** – is used to enter a trade that relates to financing transactions.
- **Exception Reportable** – this trade category can only be used with the prior approval of the Exchange. Members must contact the LME [Inter-Office Trading Post-Trade Operations](#) team ([interofficetrading@lme.com](mailto:interofficetrading@lme.com) [posttradeoperations@lme.com](mailto:posttradeoperations@lme.com), phone no: +44 (0)20 7113 8201) in advance of submitting an Exception transaction to the Matching System, providing details and the rationale for the transaction. This category can only be used in order to submit a trade to the Matching System that has been identified by the Member as a reportable transaction under MiFID II.
- **Exception Non-Reportable** – this trade category can only be used with the prior approval of the Exchange. Members must contact the LME [Inter-Office Trading Post-Trade Operations](#) team ([interofficetrading@lme.com](mailto:interofficetrading@lme.com) [posttradeoperations@lme.com](mailto:posttradeoperations@lme.com), phone no: +44 (0)20 7113 8201) in advance of submitting an Exception transaction to the Matching System, providing details and the rationale for the transaction. This category can only be used in order to submit a trade to the Matching System that has been identified by the Member as a non-reportable transaction under MiFID II. An example of this would be the submission of a transaction derived from an option expiry.

### Post Trade Functions

- **Transfer** – is used to effect the move of a registered single trade or group of trades (“a position”) between Members or alternatively within a Member’s own client account structure.

### Price Types

15. The following price types will apply for all business that is agreed non-electronically<sup>2</sup>:

- **Current** – must be used to record Agreed Trades arranged at current market prices and transactions executed at current market process that are subsequently averaged for entry to the Matching System on TD+0 or TD+1.
- **Historic** – must be used to record all other transactions (e.g. OTC Bring-Ons, transfers (as applicable) and historic price carries) from TD+2 onwards.



<sup>2</sup> Business Executed via LME Select will always have a price type of Current.



Because of the requirement to match trades within 10 minutes of Agreement of an Agreed Trade (see Regulation 3.5 Part 3, of the LME Rules), the “Average Price” price type is no longer available, as trades must not be held back from submission to matching. However, Members may create a single average price transaction for a single Client within their own systems, provided a full audit trail is maintained of any such actions (see paragraph 33 below).

### Venue Codes

16. The following venue codes will apply:

- **Select** – for all electronically Executed business.
- **Ring** – for all business Executed in the Ring.
- **Basis Ring** – for any trade agreed between a Category 1 Member and their Client pursuant to an order placed with that Category 1 Member, that is filled in the Ring during the relevant Ring or kerb session, basis a price(s) discovered in the Ring<sup>3</sup> through trading or quoting.
- **Inter-office** – for all other business agreed non-electronically, including trades arranged by RIBs ~~or Fixed Price Auction~~, and which is Executed pursuant to confirmation by the Matching System.

### Short Price Codes

17. The following price codes will apply:

- **Settlement Price (“S”) Code** – where the price for an outright trade or the near leg of a Carry is based upon that day’s Settlement Price with other Carry leg(s) priced relative to the first leg plus or minus an agreed premium or discount.
- **Closing Price (“C”) Code** – where the price is based upon that day’s Closing Price for the relevant Prompt Date for each outright trade or Carry leg and may include plus or minus an agreed premium or discount. This code should only be used in conjunction with the inter-office venue.

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<sup>3</sup> This applies to prices in relation to which the primary pricing methodology is Ring-based, notwithstanding that prices in relation to which the primary pricing methodology is electronic may (e.g. in business continuity scenarios) utilise Ring activity as part of the pricing process.



- **Basis the Closing Price (“B”) Code** – where the pricing basis for the near leg of a Carry is the Closing Price for the relevant Prompt Date and the other leg(s) is priced relative to the first leg plus or minus an agreed premium or discount. This code should only be used in conjunction with the inter-office venue.
- **Yesterday’s Settlement Price (“YS”) Code** – where the price is the previous Business Day’s relevant Settlement Price.
- **Valuation Price (“V”) Code** – where the price is the previous Business Day’s relevant Closing Price. This code should only be used in conjunction with the inter-office venue.
- **Mean Cash (“MC”) Code** – where the price is the mean of the bid/offer spread for the relevant Cash prompt based on the Official Price.
- **Mean 3 Month (“M3”) Code** – where the price is the mean of the bid/offer spread for the relevant 3 Month prompt based on the Official Price.

18. In all cases where a short price code has been used, and once the relevant absolute value has been made available, the Matching System will substitute the correct price for each code, and calculate absolute values for all leg(s) containing a price differential. For short price codes YS and V, the substitution of the absolute price will occur automatically upon submission.

#### Trade Submission Deadlines

19. Regulation 3.5 of Part 3, of the Rules sets out the deadlines for matching Contracts.
20. Where Client Contracts have been agreed after 19:50 London time with respect to LME Base Contracts (i.e. 10 minutes prior to the close of the Matching System), then the registration of these transactions must be completed by 08:30 London time on the following Business Day including those transactions arranged by RIBs.
21. Regulation 3.5.1(d) of Part 3 of the Rules states that business Executed in the Ring must be submitted within 10 minutes of the close of the Ring trading period in which the Agreed Trade was Executed. Where Agreed Trades have been agreed, either in the Ring or in the inter-office market, using either the Official, Mean or Closing Price as the basis for the trade price, then the relevant Ring



time code should be entered, but the matching deadline will be 10 minutes after all relevant data has been made available by the Exchange (i.e. after any objection period, and once the Official Prices/Closing Prices have been declared final).

22. As set out in Rule 3.5.1 of Part 3 of the Rulebook, RIBs are responsible for registered Agreed Trades in the Matching System within 10 minutes of arranging the trade in the inter-office market. Where a RIB has registered an Agreed Trade in the Matching System, the Clearing Member must approve or reject the Agreed Trade within the Matching System within 10 minutes of such registration. ~~For the avoidance of doubt, where the Agreed Trade comprises a PTT Order, the time of "arrangement" shall be the time from which the RIB has Pre-Trade Communications in respect of two Clients that would, subject to acceptance by the Clearing Member(s), comprise an IOM PTT Initiating Pair.~~

### Trade Times

23. Depending on the venue, the Trade Time field must be completed as follows:
- **Select** – this field is automatically populated upon the matching of relevant orders, no further action is required by Members.
  - **Ring** – either “R 1-3” if Executed during a Ring session or “K 1-2” if Executed during a kerb session.
  - **Basis Ring** – either “C 1-3” if agreed during a permissible Ring session or “D 1-2” if agreed during the relevant kerb session (see also paragraph 16 above).
  - **Inter-office** – the time at which the trade was agreed<sup>4</sup>, and must be entered as HH:MM:SS.

### Accounts

24. The Matching System supports the following accounts:
- **H** – House, for all proprietary, non-Client business;

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<sup>4</sup> Note that this will record the time of: (i) the Contingent Agreement to Trade; or (ii) the agreement of the Agreed Trade arranged by the RIB; pursuant to Regulation 2.5.1(d) or 2.5.2(e), as applicable, of Part 3 of the LME Rules, the Agreed Trade shall, provided that it satisfies the Acceptance Criteria, be Executed at the time, ~~following the completion of any Fixed Price Auction~~, that the Matching System confirms that the Agreed Trade is matched and that all Pre-Execution Checks are satisfied.



- **U** – Unallocated, sub-account of H, for all business that is to be given-up to another Clearing Member even where the details of the Clearing Member are known;
- **C** – Client, for all business allocated to a net omnibus segregated Client account (OSA);
- **G** – Client, for all business allocated to a gross omnibus segregated Client account (GOSA);
- **S** – Client, for all business allocated to an individual segregated Client account (ISA); and

25. The Client Code field (“Cust”) is a mandatory entry field for Client Contracts. This field must be populated with the code used to identify the beneficial owner of the Client Contract in the Member’s books and records. This code must be consistent with that used when reporting positions to the Exchange.
26. When entering orders on LMEselect, Members must ensure that they identify the correct account where appropriate. Trades incorrectly identified will be allocated to an X Account of the Clearing Member and it will be the responsibility of the Clearing Member to reverse the trade and allocate it to the right account in accordance with the procedures set out in paragraphs 36-42 below.

### **Post-Trade/Administrative Functions**

27. This section details the post-trade/administrative functions that are available for Members; Members are encouraged to contact the Exchange if they are unsure how to effect any particular post-trade activity (email: [interofficetrading@lme.com](mailto:interofficetrading@lme.com) [posttradeoperations@lme.com](mailto:posttradeoperations@lme.com), phone +44 (0)20 7113 8201).

### Transfer

28. This post-trade category should be used to move a single trade or a group of trades (“a position”) between Members, for a common Client or non-common Client between two Clearing Members or alternatively within a Member’s own account structure.
29. This post-trade category should also be used where Members wish to undertake a metal position exchange (formerly referred to as a metal position swap)



whereby users of physical metal swap (exchange) an existing on-Exchange hedge and a commitment to deliver physical metal. The entry recorded in the Matching System is therefore the movement of a position for a non-common Client.

30. When undertaking a physical metal swap for a non-common Client, Members are required to have a an 4-way agreement in place prior to entering such a transaction. Members must maintain a full audit trail in-order to demonstrate the complete history of a transaction. Each Member must confirm via the agreement that the Client is a direct customer, is a commercial user of the metal concerned can lawfully enter into the agreement and has given the Member prior written instructions regarding the metal swap transaction. The Member must ensure that the transaction is not in breach of LME Rules or other appropriate legal requirements.
31. Members executing an exchange for physical (“**EFP**”) transaction and in doing so wish to create a new hedge on Exchange (as opposed to using an existing position), should use the Financing trade category. Where the Members or their Clients wish to use an existing position as a hedge for an EFP transaction, then this constitutes a metal position exchange and the Transfer trade category should be used.
32. Where transferring a Client position between Clearing Members for the Base Service, the position must first be moved out of the relevant GOSA/OSA/ISA account to the Member’s House account using the Transfer post-trade category. Once this registration has been completed, the Transfer trade half may be entered into the Matching System for matching with the other Clearing Member to effect the Transfer. Once the Client position has been received into the Member’s House account, the position should subsequently be moved to the relevant GOSA/OSA/ISA account.
33. Client positions may be transferred at the original “Historic” contract price, or “Current” market price (usually the Closing Price for the relevant Prompt Date). Members may transfer a single trade or a trade weighted average of the longs AND a trade weighted average of the shorts as long as they maintain a sufficient audit trail to demonstrate how the “average” price was calculated and which pricing basis was used. **Members may not offset long and short positions between two or more accounts to effect a position transfers, for the purpose of avoiding or evading the Matching Rules or otherwise.** Members may not average/amalgamate trades using different pricing bases.



34. The Transfer post-trade category should also be used to offset a **common** Client's delivery exposure for the Cash Today ("**TOM**") or Cash Prompt Date for existing on-Exchange positions. In these circumstances, a net position may be offset at each Clearing Member by submitted the relevant entries to the Matching System priced at the Official Settlement Price for the Prompt Date.
35. The Transfer post-trade category may also be used to offset an existing on-Exchange position at one Member with an OTC position at another Member for a **common Client**, or an existing OTC position at one Member with an on-Exchange position at another Member for a common Client using the Transfer trade category in conjunction with the OTC Bring-On trade category as applicable.

#### Reversal/Correction Cancellation Flag

36. To execute a Reversal/Correction the cancellation trade flag should be used to correct errors that may have occurred in one or more of the fields entered into the Matching System at the point of trade submission. In addition, this facility should also be used in conjunction with the revised Give-Up process detailed below.
37. Trades previously submitted with a Reversal/Correction trade category must be submitted with the same trade category as the previously registered trade. The new trade must have the correct Cancellation Flag and the Cancel Link Id set to the Matching Reference Number of the original trade.
38. Trades submitted to the Matching System with the Reversal trade flag must reflect the exact economic trade details of the trade originally registered other than the 'Buy/Sell' indicator. For the avoidance of doubt, no partial Reversals are permitted.
39. Client Contracts may be cancelled and resubmitted to the Matching System on the day of trade ("T") but errors identified thereafter (T+1 onwards) must be corrected using the Reversal/Correction above.
40. In the event that a trade Executed in LME Select requires a price adjustment as a result of the Lending Rules, Members must use the Reversal/Correction process Normal trade category against venue inter-office to effect the necessary adjustment.
41. The Reversal/Correction process can also be used to effect a currency



conversion in which an existing Client Contract is converted from one currency accepted by the Exchange to another currency accepted by the Exchange.

42. In the event that an Agreed Trade is arranged by a RIB and is matched and submitted to the Matching System, and needs to go through the Reversal/Correction process:

- the RIB must liaise with each Clearing Member to agree the correct details of the Agreed Trade to be re-submitted;
- once agreed, either of the following processes should be followed in order to execute a Reversal/Correction:
  - the RIB shall enter two new trades with the Cancellation flag set to Reversal/Correction, to: (i) counter the original registration of the Agreed Trade in the Matching System (Cancellation flag set to R (Reversal)); and (ii) register in the Matching System the Agreed Trade with the correct details agreed by each Client of the RIB (Cancellation flag set to C (Correction)). Both the Reversal and the Correction will have to be approved by both Clearing Members in order to match and lead to an Agreed Trade; or
  - alternatively, each Clearing Member shall enter two new trades with the Cancellation flag set to Reversal/Correction, to: (i) counter the original registration of the Agreed Trade in the Matching System; and (ii) register in the Matching System the Agreed Trade with the correct details agreed by each Client of the RIB.

#### Use of UNAs to Facilitate Issuing of Client Contracts and Other Uses

43. The process for use of the "UNA" mnemonic in Give-Ups is set out below, particularly at paragraphs 50 to 60. The Exchange acknowledges that Members use the "UNA" mnemonic other than in connection with the registration of Give-Ups. For example, UNAs are used in connection with the registration of Client Contracts, in circumstances other than those involving the facilitation of Give-Up trades. Such use of the "UNA" mnemonic is permitted, provided that:



- (a) Members comply with their obligations under Regulation 3.3 of the Trading Regulations and the provisions of the Clearing House Rules regarding the allocation of positions to the relevant position-keeping account at the Clearing House;
- (b) it is the sole responsibility of the Member to ensure that it allocates positions in respect of Contracts to an appropriate position-keeping account at the Clearing House to enable the Member and its Client(s) to comply with any applicable legal or regulatory requirements and/or any contractual obligations; and
- (c) such use is permissible under, and consistent with, the broader requirements set out in these Matching Rules and the LME Rulebook (in each case as amended from time to time).

## **Details of Certain Business Processes**

### Financing

44. The Financing trade category is used for financing transactions where the prices are likely to be away from the prevailing current market price. Under MiFID II, securities financing transactions are not considered to be reportable transactions. Therefore, the use of the Financing trade category will not result in any transaction reporting obligations, provided the transaction itself meets the following criteria:

- (a) a repurchase transaction – involves selling a commodity and agreeing to repurchase it in the future. The transaction must be governed by an agreement to transfer commodities, or guaranteed rights relating to title to commodities subject to:
  - (i) the seller can only transfer or pledge a particular commodity to one counterparty at a time;
  - (ii) the seller must agree to repurchase them, or substituted commodities of the same description; and



- (iii) the seller must agree to repurchase them at a specified price on a specific future date; or
  - (b) securities or commodities lending and securities or commodities borrowing – where a counterparty transfers commodities subject to a commitment that the borrower will return equivalent commodities on a future date or when requested to by the transferor; or
  - (c) a buy-sell back transaction or sell-buy back transaction – where a counterparty buys commodities, or guaranteed rights relating to title to commodities, and agrees to sell them (or commodities/guaranteed rights of the same description) back to the other party at a specified price on a future date. A sell-buy back represents the other side of the transaction; or
  - (d) a margin lending transaction – this only applies to securities, not commodities.
45. Historic Price Carry submission would be effected via the Financing Trade Category. Historic Price Carry trades are used to roll or carry forward an existing Client Contract to a valid Prompt Date on the basis of the original contract price between the same Members. Notice 99/484 : A472 : R034 ('RULES ON HISTORIC/ORIGINAL PRICE CARRIES') remains in force.

#### Give-Ups

46. Give-Up trades must be registered in the Matching System in relation to a trade that is concluded on any Execution Venue. Within 10 minutes from the time of Execution of the Client order, the executing Member must enter a Give-Up Executor trade half. Irrespective of which Execution Venue the trade is concluded on, Give-Up trades may only be submitted to the Matching System with venue code "Inter-office". Members are not permitted to submit Give-Up trades against any other venue code.
47. Where the executing Member knows the identity of the Give-Up Clearer at the time at which it enters the Give-Up Executor trade half, the executing Member may register the Give-Up Executor trade half directly to the Give-Up Clearer. In



this scenario, the executing Member must include the Give-Up Clearer's mnemonic in the counterparty field.

48. However, in order to facilitate Members' compliance with the 10 minute window mentioned above, Members may elect (but are not obligated) to use the process set out in paragraphs 50 to 60 below (the "**UNA process**"). Members may use this process whether or not the Clearing Member is known at the time of the Execution of the Client order, and for business that is executed on any of the LME Execution Venues.
49. Where an executing Member uses the UNA process, the executing Member must enter the member mnemonic "UNA" in the counterparty field. In both the trade to fulfil the Client order and the Give-Up Executor trade the account should be entered as "H".
50. The submission of the Give-Up Executor trade half into the Matching System will automatically generate a Give-Up Clearer trade half, with an account field of "U". This will create a matched trade that will be submitted for clearing, resulting in a cleared trade. This will lead to equal and opposite positions on the executing Member's H and U accounts.
51. Where the Clearing Member is known, the executing Member may then cancel or reverse the cleared trade by following either of the steps outlined in paragraph 52 below. When the Clearing Member has been advised in due course by the Client that the executing Member has filled his order, the Clearing Member will then enter a Give-Up Clearer trade half to the Matching System.
52. Where the executing Member has been advised of the Clearing Member to whom the trade should be given-up to for clearing, then the executing Member may do one of the following:
  - (a) Cancel the cleared trade that was created through the system-generated Give-Up Clearer trade half with the UNA member mnemonic, and submit a Give-Up Executor trade half with the now known Clearing Member mnemonic in the Counterparty field, with an appropriate Client reference where known; or



- (b) Reverse the original Give-Up Executor trade half with the UNA member mnemonic, and submit a Give-Up Executor trade half with the now known Clearing Member mnemonic in the Counterparty field and with an appropriate Client reference where known.
53. When the Give-Up Executor enters their reversal half trade, then a new matched trade will be created, but with the original trade date/time retained.
  54. If the executing Member chooses to follow (a) above, then they must ensure that the Give-Up Executor trade half that contains the Clearing Member mnemonic also includes such information that allows for it to be identified as being related to the original cleared trade. In this regard, Members are reminded of the general obligation to ensure that they maintain a full audit trail for all orders, trade and post-trade operations.
  55. For both (a) and (b) the Execution Time of the Give-Up Executor trade half must be the same as that entered on the original cleared Give-Up Executor/Give-Up Clearer trade.
  56. Where the details of the original trade have changed – e.g. Prompt Date, price, volume – then the executing Member may again choose to follow either (a) or (b) as above. However, in these circumstances the Execution Time of either the Give-Up Executor trade half must be the time at which the amended details of the trade were agreed with the Client.
  57. Members are reminded of the need to ensure that orders which are to be given-up to other Members for clearing, are done so in a timely fashion, and that it is the responsibility of all Members, executing and clearing, to ensure that they, and their Clients recognise the importance of transmitting any Client instructions and processing this business as swiftly as possible.
  58. Where it has not been possible to effect a give-up on trade date (“T”), then the Cleared Trade, created through the submission of the Give-Up Executor trade half and the system-generated Give-Up Clearer trade half, will be processed by the Clearing House together with all other Cleared Trades in accordance with the Clearing House Rules.



59. Regulation 2.11 of Part 3 of the Rules requires Members to comply with, amongst other things, the timing requirements for the processing of Give-Ups. The deadline for processing Give-Ups that have not been processed on T, is 10:00 (London time) on T+1. This is to be achieved by the executing Member reversing the original Cleared Trade, and then submitting a Give-Up Executor trade half in the same manner as the original trade half, with the Trade Date and Time being the original time at which the Client order was executed. However, Members should be aware that they may be required to provide the Exchange with such additional information as the Exchange may request from time to time to demonstrate why it was not possible to process the Give-Up on T.

#### OTC Bring-Ons and Backloading

60. The OTC Bring-On category may be used where a Member has:
- (a) Entered into an over-the-counter contract with another Member;
  - (b) Agreed with that other Member a Contingent Agreement to Trade pursuant to which the parties agree to submit transaction details reflecting the terms of the over-the-counter contract.
61. An Agreed Trade that is submitted with the OTC Bring-On category shall therefore be treated in the same way as any other Agreed Trade made in the inter-office market.
62. It is the responsibility of the Members that are counterparties to the original over-the-counter contract to take any action that may be necessary to terminate or cancel such contract when the Agreed Trade represented by the Contingent Agreement to Trade is Executed. Neither the Exchange nor the Clearing House shall have any responsibility or liability to any person in respect of the original over-the-counter contract.
63. The Clearing House may offer services to enable Members to clear through the Clearing House Cleared Contracts representing multiple, previously executed, over-the-counter contracts (an "**OTC Backloading Service**"). Such services shall be governed by the terms of any agreement pursuant to which the Clearing House and/or the Exchange makes such services available. Such contracts shall be input into the Matching System pursuant to a Contingent Agreement to Trade, in the same manner as an OTC Bring-On, save that the particulars of the Contingent Agreement to Trade shall be determined pursuant to the OTC Backloading Service. The Exchange shall treat any Agreed Trade submitted to the Matching



System resulting from an OTC Backloading Service in the same manner as any other Agreed Trade represented by a Contingent Agreement to Trade agreed in the inter-office market.

64. The OTC Bring-On trade category may only be used to exchange a pre-existing over-the-counter transaction for a Cleared Contract. All OTC Bring-On transactions must comply with the following requirements:
- (a) the over-the-counter transaction must:
    - i. have been booked by both counterparties to the transaction;
    - ii. be booked within their trading systems; and
    - iii. be documented as such; and
  - (b) the trade date of the original over-the-counter transaction must be prior to the trade date of the OTC Bring-On.

#### OTC Take Off

65. The OTC Take Off category may be used to convert a Client Contract to an OTC contract. Cleared Contracts that are not Client Contracts cannot be taken off exchange.
66. For each contract taken off exchange the member must be able to provide full details of the relevant Client Contract. The OTC Take Off created must be for the same contractual commitment as the original Client Contract.
67. Member must maintain a full audit trail for the OTC Take Off transaction including the client instructions to take each trade off exchange.
68. Neither the Exchange nor the Clearing House shall have any responsibility or liability to any person in respect of the over-the-counter contract.

#### ~~Pre Trade Transparency (PTT) and Fixed Price Auctions ("FPA")~~

- ~~69. In the event that an IOM PTT Initiating Pair has been received into the Matching System (in accordance with Trading Regulation 2.15), an FPA will automatically start with the FPA details and fixed parameters (contract information) disseminated via the LME Market Data feeds. It should be noted that, where the particulars of the PTT Orders are input to the Matching System by a Registered Intermediating Broker, the FPA will commence only following the approval by the Clearing Member(s) responsible for the resulting Agreed Trade.~~



~~If either leg of an IOM PTT Initiating Pair for TOM has been received after 12:30 using the 'Normal' trade category the Matching System will automatically reject the submission. Any initiating bids or offers received after 12:30 for TOM will need to be booked using the 'Exception Reportable' trade category in order to pass validation.~~

~~70.—Members wishing to participate in an active FPA can submit bids and offers into the matching system within the Auction Window. Bids and offers will be required to include the active FPA Auction ID in the Public Reference field, entering the fixed parameters (e.g. same price and same shape for a carry as the auction trade) within the relevant LMEsmart fields. Such Members must also enter the volume at which they are willing to bid/offer, which may be different from the volume of the IOM PTT Initiating Pair. When submitting auction bids/offers, the counterparty must be "AUC" and the Category, Price Type and Venue must be "Normal", "Current" and "Inter-Office" respectively.~~

~~71.—Any bids or offers containing the following will be rejected on entry:~~

- ~~(a) — an invalid or expired Auction ID;~~
- ~~(b) — invalid fixed parameters; or~~
- ~~(c) — a combination of Category, Price Type and Venue other than "Normal", "Current" and "Inter-Office".~~

~~72.—Initiating bids and offers or those subsequently submitted into an auction can be cancelled prior to the end of the Auction Window. Initiating bids and offers for Give Ups, Cross trades and RIB orders are treated as atomic units and the cancellation of one side of such an order would result in the cancellation of both sides. Initiating bids and offers that remain unmatched at the end of the Auction Window will go to a cancelled state. Any joining bids and offers that remain unmatched at the end of the Auction Window will be disregarded. In accordance with Trading Regulation 2.15.8(d)(iv), bids and offers may be matched based on bids and offers of differing volumes ("**partial fills**"), subject to the criteria and limitations specified in Trading Regulation 2.15.8(d)(iv).~~

### Auction End

~~73.—At the end of the auction, the Matching System will automatically match up any successful bids and offers, creating matched trades for submitting to clearing.~~

### Out of Scope Orders



~~74. This section details the trade categories, orders for which, are to be treated as "Out of Scope Orders" for the purposes of Regulation 2.15 of the Trading Regulations:~~

- ~~(a) OTC Bring-On / OTC Take-Off (as described in paragraphs 14 and 60 –68)~~
- ~~(b) Transfer (as described in paragraphs 14 and 28 –35)~~
- ~~(c) Reversal/Correction (as described in paragraphs 36 –42)~~
- ~~(d) Financing (as described in paragraphs 14 and 44 –45)~~
- ~~(e) Exception Reportable / Exception Non Reportable (as described in paragraph 14)~~

~~75. A Member shall not mis-use the OTC Bring-On trade category in order to avoid the application to an Inter-Office Order of the Pre-Trade Transparency Requirements and Regulation 2.15 of the Trading Regulations.~~



## Document Change History

Date	Version	Author(s)	Summary of Changes
Previous versions are not listed			
01 October 2021	2.0	Post-Trade Operations	Clarifications regarding eligible Basis Trades (LME Notice 21/161)
07 October 2021	2.1	Post-Trade Operations	Further clarification regarding eligible Basis Trades
TBC	2.2	Post-Trade Operations	Removal of LMEprecious provisions from the Matching Rules
<a href="#">[●] 2026</a>	<a href="#">2.3</a>	<a href="#">Inter-Office Trading</a>	<a href="#">Amending department name; removal of SFPA-related rules; and an amendment to the “commercial user” requirement in relation to metal position exchanges</a>