

To: All Members

Ref: 25/009

Classification: Trading

Date: 13 January 2025

Subject: Matching Rules Relating to Chronologic Leg Ordering of Carry Trades

Summary

1. This Notice reminds Members of the Matching Rules in relation to the chronological leg ordering of carry trades entered into LMEsmart, and sets out a number of steps to ensure compliance with these Rules. As part of this, Fixed Penalties will start applying to Carry trade submissions with incorrect chronological leg ordering as **from 3 March 2025**.

Defined Terms

2. Capitalised terms not otherwise defined in this Notice shall have the meaning ascribed to them in the LME Rules.

Carry Trade Submission

3. Pursuant to Paragraph 10 of the Matching Rules, when submitting Carry trades into the Matching System, Members must enter the near leg first followed by all other legs in chronological Prompt Date order.
4. The following actions are examples of breaches of the Matching Rules:
 - a) A Member inputs the details of a Contingent Agreement to Trade into the Matching System in the wrong chronological prompt date order;
 - b) A Member inputs the details of a Contingent Agreement to Trade into the Matching System with the same prompt date in more than one leg.

Fixed Penalties

5. In Notice 24/135 dated 2 April 2024, the LME set out conduct which constitutes a Fixed Penalty Offence and is subject to a Fixed Penalty.



6. Paragraph 4(a) of Notice 24/135 provides that “a failure to comply with the requirements relating to the entry of 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” will constitute a Fixed Penalty Offence.
7. Previously, the LME provided forbearance in relation to the submission of Carry trades into the Matching System which are not in chronological order. From **3 March 2025**, the LME will stop granting forbearance to these breaches of the Matching Rules and will start treating them as Fixed Penalty Offences subject to Fixed Penalties.
8. Members are reminded that Notice 24/135 sets out the process that applies in respect of imposing such Fixed Penalty as well as the process available to Members for disputing the imposition of such penalty.

Prevention of Non-chronological Carries

9. The LME may, at its own discretion at some point in future, require that any Carry trade booked with legs in a non-chronological order are cancelled, and re-entered with the correct ordering of the legs.
10. Separately, the LME may, at its own discretion at some point in future, introduce systemic validation in LMEsmart to prevent the submission of Carry trades with non-chronologically ordered legs.

Questions

11. Any questions or requests for further clarification should be directed to the Post Trade Operations team by email to posttradeoperations@lme.com.

Stuart Sawyer
Head of Post Trade Operations

cc: Board directors