

To: All members and other interested parties

Classification: Trading

Ref: 25/045

Date: 03/03/2025

Subject: **UPDATE TO ELECTRONIC TRADING POLICIES AND ASSOCIATED DOCUMENTATION FOR LAUNCH OF LMESELECT v10**

Summary

1. This Notice (the “**Notice**”) sets out the updates that the London Metal Exchange (the “**LME**”) is making to its policies and associated documentation (together, the “**Documents**”) related to electronic trading.
2. The new electronic trading platform (“**LMEselect v10**”) is due for market cut-over/go-live on 24 March 2025 (“**Go-Live**”).
3. The updates summarised in Annex 1 (the “**Updates**”) do not impose any new obligations. The Updates are intended to reflect changes to functionality provided by LMEselect v10 and supporting systems and to help clarify and further enhance information within the existing documentation.
4. Members are reminded of their obligation to certify all algorithms prior to Go-Live.
5. The Documents are available on the LME website at: <https://www.lme.com/Trading/Systems/LMEselect>.

Defined terms

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

Background

7. Following consultation,¹ the LME introduced a number of policies and associated documents in 2017² to address obligations under the UK MiFID Framework³. These included new policies regarding Algorithmic trading and order routing services, order cancellation and controls, and error trades and erroneous order submissions.
8. These policies and associated documents are regularly reviewed and updated where necessary.
9. This Notice publishes updates to the Documents to reflect the launch of LMEselect v10.
10. The Documents updated by this Notice are available on the LME website on the date of publication of this Notice.

¹ LME Notice 17/297 - Consultation – Consultation on policies required to be introduced under Markets in Financial Instruments Directive II (MiFID II)

² LME Notice 17/344 - Decision Notice – Consultation on policies required to be introduced under MiFID II and associated documents

³ Directive 2014/65/EU, and all delegated legislation thereunder, was onshored by way of the European Union (Withdrawal) Act 2018 (the “**UK MiFID Framework**”)



Algorithm certification

11. As previously communicated, including, and in relation to, Participant Self-Certification, please be reminded that Members who currently use algorithms, be they House/Client/ISV in LMEselect v9 must certify each algorithm for LMEselect v10.
12. For those Members who have Direct Electronic Access (“**DEA**”) Clients using algorithms, it is their responsibility as DEA Providers to ensure and certify that appropriate testing by their DEA Clients has been done and that those DEA Clients are compliant with the UK MiFID Framework in accordance with the LME Rules.
13. The LME does not expect to see algorithms being used that have not been certified through the return of the required forms.

Entry into force

14. The updated Documents shall take effect as at Go-Live.
15. The DEA and LMEselect Algorithm Certification forms shall take effect on the date of publication of this Notice, i.e. 3 March 2025.

Questions

16. Any questions relating to the Notice should be directed to the Trading Operations team at tradingoperations@lme.com.

Katie Dowd
Senior Manager Trading Operations

cc: Board directors



Annex 1 - Updates

Algorithmic Trading & Direct Electronic Access Policy

1. This document sets out the policy on algorithmic trading and the provision of order routing facilities by Members to their Clients (also known as “DEA”).
2. Key changes include:
 - (a) Clarification of algorithm testing and certification requirements, in particular regarding the responsibilities of DEA Providers in relation to their DEA Clients under the LME Rules.
 - (b) A reminder to DEA Providers that they must not offer DEA access to Clients located in or from a jurisdiction where the LME does not have the relevant regulatory licences or approvals (if such regulatory licence or approval is required) **if** to do so would put the LME in breach of any legal or regulatory obligations to which it might be subject within that jurisdiction or would bring the LME into disrepute with the regulatory authority within such jurisdiction.

LMEselect Algorithm Certification

1. The LME requires this to be completed by Members to certify that the algorithms deployed under its trading code, including those deployed by their DEA Clients, have been tested to avoid contributing to, or creating, disorderly trading conditions prior to the deployment or substantial update of a trading algorithm or trading strategy, and to explain the means used for that testing.
2. Key changes include:
 - (a) Further clarity provided that certification is required by Members for any algorithms deployed through their Member trading code. This includes any algorithm deployed under DEA arrangements.
 - (b) Clarity added that testing can be done either by the Member and/or the DEA Client.
 - (c) Requirement for an algo identifier restated.

DEA Forms (Direct Market Access and Sponsored Access)

- LMEselect Sponsored Access (SA) Provider – Client Application
 - LMEselect Direct Market Access (DMA) Provider – Notification of Client
1. These forms are required to be completed by a Member wishing to provide DMA or SA to their Client.
 2. Key changes include additional jurisdictional confirmations required from the Member regarding the location of the DEA Client.
 3. Existing DEA arrangements remain valid and can continue to operate.
 4. Previous versions of the DEA forms will no longer be accepted by the LME.

Policies and Controls for the Prevention of Disorderly Trading

1. The “POLICY ON ORDER CANCELLATION AND CONTROLS” is superseded and replaced by the “Policies and Controls for the Prevention of Disorderly Trading”.
2. This document sets out the policies and arrangements for the prevention of disorderly trading, and the management of volatility and pre-trade and post-trade controls on LMEselect.
3. Key changes include:
 - (a) Further detail has been provided on the controls the LME has in place to prevent disorderly trading, the related policies that support those controls and more clarity on the requirement for Members’ controls.



- (b) Section 4.1 describes the Member level throttle, which has been introduced in addition to the session level throttle to assist maintaining orderly trading conditions.
- (c) Updates to functionality for pre-trade risk management, trade halts and pauses and kill switch.
- (d) Updates to pre-trade risk management functionality making it mandatory that limits are set to allow order entry, which includes limits set by the LME for all Members.
- (e) Clarity provided on the post-trade controls operated by the LME and other arrangements in place to support the controls employed by the LME and Members in meeting regulatory requirements.

Error Trades and Erroneous Order Submissions Policy

1. This policy deals with the circumstances relating to and the handling of error trades and erroneous orders on LMEselect.
2. Key changes include:
 - (a) An enhanced introduction to clarify the purpose and scope of the policy.
 - (b) Clarification added to the introduction to state that the LME may also cancel orders through the Cancellation of Orders Policy.
 - (c) Section 3 has been updated to reflect the system(s) utilised post Go-Live in relation to requests for permission to cancel error trades outside the no-cancellation range.

Fast Markets Policy

1. This policy sets out the steps the LME will take if the market experiences periods of significant volatility, and a “Fast Market” is declared.
2. Key changes include:
 - (a) Clarity added to the policy on the interaction with the existing LME’s Daily Price Limit Multiple Day Framework and other LME mechanisms or policies to control volatility.
 - (b) Distinction added to the policy on impact to the relevant trading venue for where a “Fast Market” has been declared.

Other

1. The LME has taken this opportunity to make administrative changes to the Documents, including but not limited to, changes to formatting, grammar, and changes to regulatory and LME website references.