

To: All members

Ref: 16/290 : A/284

Classification: Fees

Date: 23 August 2016

Subject: **APPLICATION OF THE FEE CAP FOR POSITION TRANSFERS**

### **Summary**

1. Pursuant to LME Notice 16/276 : A/270, issued 5 August 2016, this Notice confirms the implementation of the fee cap (“the Cap”) for position transfers.

### **Background**

2. LME Notice 16/276 : A/270 announced a limit to the charges for Member and Client position transfers with such charges being capped at \$10,000 per transfer from 1 September 2016.
3. This Notice sets out the application of the Cap and how the fee rebates will be administered.
4. Capitalised terms not otherwise defined in this Notice shall have the meaning given to them in the LME Rulebook.

### **Eligible transactions**

5. The Cap will apply to Exchange Contracts registered using the trade categories TRANSFER SEND and TRANSFER RECEIVE and the associated Client Contracts registered to manage the respective position keeping accounts (OSAs and ISAs) at LME Clear. The conditions that need to be met for the registration of such LME Exchange and Client Contracts are set out in LME Notice 14/181: R021, CONSOLIDATED MATCHING RULES FOR LMEsmart, 2014 (the “Matching Rules”). Only position transfers that meet the criteria set out for TRANSFER SEND/TRANSFER RECEIVE transactions in the Matching Rules, and that are registered in accordance with the Matching Rules, will be eligible for the Cap.
6. For the avoidance of doubt, any other position movements that do not utilise the TRANSFER SEND/TRANSFER RECEIVE trade categories, or in the case of the associated Client Contracts, do not utilise other trade categories expressly permitted by the Matching Rules to be used in conjunction with the TRANSFER SEND/TRANSFER RECEIVE trade categories, are not eligible for the Cap. Members are reminded that the TRANSFER SEND/TRANSFER RECEIVE trade categories may not be used to circumvent the Matching Rules relating to other transaction types.



7. For each position transfer, only registrations between one Clearing Member and another Clearing Member for a common Client (which must be the same legal entity) can qualify for the Cap<sup>1</sup>. For example, a position transfer from Member 1 to Member 2 for Client A would constitute a different transaction from a position transfer from Member 1 to Member 3 for Client A. Where multiple Members are involved in a position transfer, i.e. from Member 1 to Members 2 and 3, each position transfer is considered a transaction in its own right for the purposes of calculating the Cap.
8. Subject to paragraph 7 above, Members may aggregate volume across different metals, currencies, Contract types and Prompt Dates into one position transfer request.
9. The \$10,000 Cap will be applied to LME and LME Clear fees incurred by both Clearing Members for the total position transfer. Accordingly, the two Clearing Members on either side of a qualifying position transfer will each be rebated fees in excess of \$5,000.
10. Qualifying position transfers will NOT be automatically identified in the LME Matching System by the Exchange nor will any fee rebates be automatically credited to the respective Members by LME Clear. In order for a position transfer to qualify for the Cap, Members are required to transmit a rebate request to the Exchange including a copy of the Client instruction to effect the position transfer, preferably in advance of the entries being submitted to the LME Matching System, or at the very latest, within two business days of the entries being submitted to the Matching System. All requests for the application of the Cap must be made to the LME's Client Advisory and Membership Services Department ("CAMS"), [Client.Advisory@lme.com](mailto:Client.Advisory@lme.com). Members are additionally required to advise the CAMS team of the code entered into the public reference field for the submission of the Exchange Contract(s), the code entered into the customer ID field for the submission of the Client Contract(s), as well as the business day on which the position transfer will be processed, in order for the Exchange to be able to identify the relevant entries in the LME Matching System. The CAMS team will validate and confirm back to the Members if the position transfer as set out on the Client instruction qualifies for the rebate. The Exchange reserves the right to reject a rebate request if, in its opinion, the operation does not meet the rules governing use of the TRANSFER SEND/RECEIVE trade categories as set out in the Matching Rules, or if the Member(s) fails to provide a valid Client instruction or sufficient information in order for the Exchange to identify the qualifying entries in the LME Matching System.
11. Unless previously agreed with the Exchange, all entries relating to a position transfer eligible for a fee rebate must be submitted to the Matching System within the same business day.
12. Members are reminded that that they need to be sufficiently collateralised at LME Clear in order to cover any additional margin requirements that may be incurred as a result of the position transfer.

---

<sup>1</sup> Metal Positions Swaps that are by definition for non-common clients but utilise the TRANSFER SEND/TRANSFER RECEIVE trade categories can qualify for the Cap. The term "Metal Position Swap" is defined at paragraph 81 of the Matching Rules.



## **Rebate process**

13. Exchange fees will continue to be calculated and debited from Members' USD accounts at LME Clear in the usual manner. Following confirmation of a qualifying position transfer, and provided all the relevant requirements have been complied with, the Exchange will calculate and reconcile the rebates with both Members during the month following the processing of the position transfer in the LME Matching System. The respective rebates will be credited to the Members' accounts the month following the calculation and reconciliation of the qualifying position transfer. For example, rebates for qualifying position transfers registered in September will be calculated/reconciled in October and credited to the Members' accounts in November.
14. As set out above, it shall be the responsibility of the relevant Member to submit a request for the application of the Cap. The Exchange shall be under no responsibility to apply the Cap or provide a rebate or refund in the event that any of the requirements set out in this Notice have not been complied with. The Exchange shall be under no obligation to correct any underpayment of fee rebates resulting from inaccurate entries once the qualifying entries have been identified and the rebates reconciled with the respective Members.

## **Effective Date**

15. This Notice and the Cap set out herein shall take effect from 1 September 2016. Any questions relating to this Notice should be directed to [Client.Advisory@lme.com](mailto:Client.Advisory@lme.com).

**Gillian Hampson**

**Head of Client Advisory and Membership Services**

cc: Board directors

All committees