receive their performance benchmarks and trade input files so that they have sufficient time to verify against their own records. After this period, unless a member can identify to the LME any errors that are material that would result in the performance being more than 1% worse than it would have been or which would otherwise have meant that member would not otherwise have breached the disclosure threshold, the performance benchmarks and trade input files will become final.

Timetable

Consistent with the proposals in LME notice 06/294:A290, the disclosure threshold will be 30% from September 2007. This means that members will receive their performance benchmarks at the beginning of October 2007. They will be given three weeks to verify the figures. If no material differences have been identified during that period, at the end of October, LME will reveal the names of those members where more than 30% of their trade inputs were late. After two months (ie in respect of the input performance in November 2007), the disclosure threshold will go down to 20% and in respect of the input performance in 2 January 2008, the disclosure threshold will be reduced to 10%.

Subject to confirmation by LCH.Clearnet, it is planned that the changes detailed above to the matching system will be delivered by LCH.Clearnet before 1 September 2007 to enable us to meet the rescheduled plan. LME Clearing Members will receive implementation details and dates from LCH.Clearnet directly in the near future.

Joanna Stuart

cc: Board directors

LONDON METAL EXCHANGE

To: CATEGORY 1, 2 AND 3 MEMBERS

Ref: 07/270 : A264

Date: 3 October 2007

Subject: **MATCHING PERFORMANCE**

Summary

1   This notice sets out the timetable and the procedures for the benchmarking exercise that commenced this month identifying those members who have more than 30% of their trade inputs late.

Background

2   LME notice 06/294, dated 2 November 2006, set out a plan to improve the matching performance of members by monitoring the timeliness of members' trade inputs each month. After consultation with the members, various issues were identified some of which required enhancements to the LME matching system ("LMEMS") in order to produce a fairer measurement of each member's performance. These enhancements were:-

(a)   A new short code for trades based on LME closing prices to allow those trades to be input and matched in LMEMS before the closing prices were published.

(b)   The retention in LMEMS of unmatched trade halves over night so that those who input in time on the day would not be obliged to re-input their trade halves the following day.

3   LME notice 07/223, dated 21 August 2007, announced that the enhancements to LMEMS had been postponed for technical reasons. LME notice 07/268, dated 2 October 2007, gave further details of the enhancements and the revised delivery date of 30 November 2007. The benchmarking exercise identifying members who have more than 30% of trade inputs late will start with the input performance for October 2007. The Exchange recognises that the enhancements to LMEMS could improve the trade input performance of members. The Exchange will take a pragmatic approach and propose the following procedures:-

(a)   Each member will be sent its input performance for October 2007 at the beginning of November 2007. Members will have three weeks to
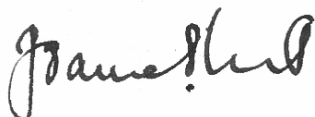
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review and examine the details of that performance and query the outcome.

(b)   If a member can demonstrate within those three weeks that its trade input performance was materially adversely affected by either the unavailability of the planned enhancements to LMEMS or any circumstances outside its control, the Exchange is willing to review the circumstances and adjust that member's performance if it considers that to do so would be fair and appropriate.

(c)   Each member will be sent its input performance for November 2007 at the beginning of December 2007.   Included with that will be benchmark tables of input performance (separately for Timed, Basis and Telephone trades) which will identify those members who had more than 30% of their trade inputs late during the month of October 2007. The benchmark tables to date have been anonymous and the summary tables have given volume figures. The new format will only identify those members with more than 30% of their trade inputs late and will not give volume figures.

Joanna Stuart
Head of Market Surveillance

cc Board directors

LONDON METAL EXCHANGE

To: ALL MEMBERS

Ref: 08/047 : A045 : R007

Date: 8 February 2008

Subject: **NEW LME SELECT ERROR TRADE POLICY**
_____

Summary

1   This notice confirms the new LME Select Error Trade Policy and replaces the previous policies with effect from Monday 18 February 2008.

Background

2   LME notice 02/127, dated 27 March 2002, set out the Exchange's discretionary powers to cancel trades transacted on LME Select without the consent of both parties. LME notice 06/246, dated 22 September 2006, introduced a no-cancellation range and set out the procedures for cancelling error trades outside that range where both parties agreed to the cancellation.

3   The new LME Select Error Trade Policy introduces a shorter time limit for reporting error trades and expands the power of the Exchange to cancel trades without the consent of both parties. These changes are in response to the evolving demands of trading on LME Select and will increase the speed and certainty in dealing with error trades on LME Select.

New LME Select Error Trade Policy

4   The attached schedule sets out the new LME Select Error Trade Policy that the LME board has adopted to replace the provisions of LME notice 02/127 and LME notice 06/246 with effect from Monday 18 February 2008.

5   Members who offer the facility for clients to order route to LME Select are responsible for ensuring that those clients are fully aware of the new Policy.

6   If you have any questions on this matter, please contact the LME helpdesk on +44 (0) 207 488 2500 or by email at lmehelpdesk@lme.com

Glen Chalkley
Head of Electronic Operations

cc: Board directors
       Trading committee

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LME-001189

LME SELECT

ERROR TRADE POLICY

Introduction

1   This document deals with three different circumstances relating to error trades on LME Select:-

(a)   the no-cancellation range within which members will not be permitted to cancel error trades;

(b)   the procedures for the Exchange to permit the cancellation of error trades outside the no-cancellation range where:-

(i)   both parties agree to cancel; or

(ii)   only one party agrees to cancel; and

(c)   the reserve power of the Exchange to cancel error trades in order to protect the integrity of the market.

2   Members who offer the facility for clients to order route to LME Select are responsible for ensuring that those clients are fully aware of the new Policy.

No-cancellation range

3   Members are not permitted to cancel error trades on LME Select where the price is within two percent of the last price traded on LME Select. The last trade from the previous business day will be used if no trades are transacted during the current business day. The no-cancellation range applies to outright trades but not to carries. A fixed percentage movement is an inappropriate measure for the significance of the movement in the price of a carry.

Permission to cancel error trades

4   The Exchange has full discretion whether or not to permit the cancellation of LME Select trades. The Exchange recognises that cancellation of LME Select trades can be disruptive to the market as a whole. The Exchange will not permit the cancellation of an LME Select trade by agreement between the parties or enforce the cancellation of a trade where there is no agreement unless the Exchange determines, in its absolute discretion, that the trade was a clear or serious error. In making the determination as to whether or not a trade was a clear or serious error the Exchange will take into account, without limitation, the following factors:-

(a)   Market conditions and volatility for all contracts in that product prior to, and immediately after, the disputed trade including reviewing bids, offers and trades in LME Select and Ring or Kerb trading.

(b)   Prevailing indicative quotes for the product as displayed by market data vendors.

(c)   Any relevant economic data or news stories displayed by market data vendors.

(d)   The possible market disruption that could be caused by cancelling or not cancelling the trade.

(e)   Any other information that the Exchange considers in the circumstances to be relevant.

5   The following procedures in relation to requests for permission to cancel error trades outside the no-cancellation range will apply:-

(a)   The member requesting a trade cancellation must contact the LME helpdesk by telephone on +44 (0) 207 488 2500 within 15 minutes of the trade and must confirm by email to lmehelpdesk@lme.com that the input was an error.

(b)   Except in exceptional circumstances, requests for cancellations more than 15 minutes after the trade time will be refused.

(c)   Upon receipt of a request the LME helpdesk will endeavour to send a market message on LME Select to inform users that the trade is under investigation by the Exchange.

(d)   The LME helpdesk will then contact the counterparty member to establish if the counterparty will agree to cancel the trade. Whether or not the counterparty member agrees to cancel the trade that member must confirm its decision by email to lmehelpdesk@lme.com

(e)   The Exchange will endeavour to make a decision either to permit the cancellation of a trade by agreement between the parties or to enforce the cancellation of a trade where there is no agreement within 15 minutes after the time that a member requests that a trade be cancelled.

(f)   Once the Exchange has determined whether a trade should be cancelled or not, the parties to the trade and users of LME Select will be informed of the determination by the LME helpdesk sending a market message on LME Select.

(g)   Where the Exchange has determined that a trade should be cancelled, the parties must promptly make the appropriate inputs in the LME matching system to effect the cancellation.

(h)   The LME helpdesk will send to the LME member surveillance department details of the trade and the counterparties in order to monitor that the appropriate inputs are made in the LME matching system to effect the cancellation.

(i)   The LME member surveillance department will monitor the LME matching system to ensure that no telephone trades or cancellation trades are entered into the LME matching system to reverse error trades within the 'no cancellation' range or error trades outside the 'no cancellation' which have not been approved by the Exchange for cancellation.

Exchange power to cancel

6   In order to protect the integrity of the market the Exchange reserves the power to cancel on its own initiative an LME Select trade if it determines, in its absolute discretion, that the trade was a clear or serious error. In determining whether or not an LME Select trade was a clear or serious error the Exchange will take into account, without limitation, the factors set out in paragraph 4 above. In exercising its power to cancel a trade, the Exchange will endeavour to follow the procedures set out in paragraph 5 above.

[18 February 2008]

LONDON METAL EXCHANGE

---------From Executive Director: Regulation and Compliance

To: CATEGORY 1 AND 2 MEMBERS

Ref: 08/081 : A079 : R008

Date: 19 March 2008

Subject: **CLEARED AVERAGE PRICE SWAPS SERVICE – EXPLANATION AND RULES**

Summary

1   The Exchange will launch the Cleared Average Price Swap ("CAPS") service on 31 March 2008. This notice provides Category 1 and 2 members with further information about the CAPS service and attaches the necessary amendments to the Rules & Regulations of the Exchange (the "LME Rules").

Status

2   A CAPS contract is a monthly average price swap settled in cash against the Exchange's underlying non-ferrous metals contracts. Unlike the Exchange's metals and plastics contracts, a CAPS contract is not tradeable on the Exchange, but is agreed "off-Exchange" by Category 1 or 2 members and brought on to the Exchange for matching and clearing in accordance with the LME Rules and the Rules & Regulations of LCH.Clearnet Ltd (the "LCH Rules").

Availability

3   CAPS contracts are only available for Category 1 and 2 members.

4   CAPS contracts are available for the Exchange's eight non-ferrous metals: Primary Aluminium, NASAAC Aluminium Alloy, Special High Grade Zinc, Tin, Nickel, Copper Grade A and Standard Lead. CAPS contracts may be denominated in US dollars and cents only. Each CAPS contract has the lot size and number of tradeable months shown in the following table:

Metal	Lot size (tonnes)	Months
Primary Aluminium	25	63
NASAAC	20	27
Aluminium Alloy	20	27
Special High Grade Zinc	25	27
Tin	5	15

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Metal	Lot size (tonnes)	Months
Nickel	6	27
Copper Grade A	25	63
Standard Lead	25	15

5   The near month for CAPS contracts will expire on the last business day of the month. A new forward month will become available on the first business day of the month.

Matching

6   Only Category 1 and 2 members may input a CAPS contract into MCS. For any tradeable month, 12.30 on the last business day of the month is the latest trade time that the matching system will accept. Matching will close at 20.00.

7   The commodity codes for CAPS contracts are as follows:

Primary Aluminium	OAD
NASAAC	OMD
Aluminium Alloy	OLD
Special High Grade Zinc	OZD
Tin	OSD
Nickel	OND
Copper Grade A	OCD
Standard Lead	OPD

8   CAPS contracts have a new trade type: SW. No other trade types are permitted.

Prompt date

9   The prompt date for each tradable month will be two business days after the last business day of that month.

Settlement

10   CAPS contracts will be **cash settled** on the prompt date. Settlement will be made by reference to the average monthly settlement price for each metal known as the MASP (Monthly Average Settlement Price). The MASP is already published by the Exchange for use in TAPOs. The amount due on the prompt date will be the difference between the MASP and the amount agreed in the contract.

Rules

11   The Board of the Exchange has approved the amendment to the LME Rules in the form attached to this Notice. A new Part 11 of the Rulebook has been created for the CAPS service. In addition, amendments have been made to Part 1 (Definitions and
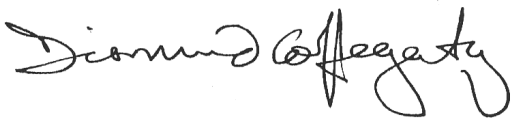
General Rules). Changes to Part 1 are shown in red; as Part 11 is an entirely new section, no changes are shown.

Fees

12   The LME fees for CAPS contracts will be the same as for metals futures contracts.

Launch

13   The CAPS contracts will be launched on 31 March 2008. For each CAPS contract, the first tradable month will be April 2008.

Diarmuid O'Hegarty
cc: Board directors

PART   1

DEFINITIONS AND GENERAL RULES

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PART 1: DEFINITIONS AND GENERAL RULES

1 DEFINITIONS

1.1   In these Rules, the following words and expressions shall, unless the context otherwise requires, bear the meanings set opposite them:-

"Account Holder"

the Clearing House and any person admitted as an Account Holder by the Exchange, and which has not withdrawn or ceased to be an Account Holder, under regulation 2 of the SWORD Regulations;

"Administrative Procedure"

a notice sent to such class or classes of Member to whom they apply, containing a procedure for implementing the Rules or any part thereof. In the case of LME Select this may also be posted on the market messages screen;

"Appeal Committee"

a committee appointed pursuant to Regulation 11 of the Membership Regulations;

"Arbitration Regulations"

the regulations set out in Part 8 of the Rules;

"Articles"

the Articles of Association for the time being of the Company;

"Associate Broker Member"

an Associate Broker Clearing Member or an Associate Broker Non-Clearing Member;

"Associate Broker Clearing Member"

an Associate Clearing Member who carries on and who is authorised pursuant to the FSMA to carry on Investment Business of the classes carried on in the Exchange;

"Associate Broker Non-Clearing Member"

an Associate Non-Clearing Member who carries on and who is authorised pursuant to the FSMA to carry on Investment Business of the classes carried on in the Exchange;

"Associate Clearing Member"

a Member for the time being authorised by the Directors to clear Exchange Contracts but not to trade in the Ring;

"Associate Member"

a Member who is neither a Ring Dealing Member nor an Individual Member;

"Associate Non-Clearing Member"

an Associate Member who is not an Associate Clearing Member;

"Associate Trade Member"

an Associate Trade Clearing Member or an Associate Trade Non-Clearing Member;

"Associate Trade Clearing Member"

an Associate Clearing Member other than an Associate Broker Clearing Member;

"Associate Trade Non-Clearing Member"

an Associate   Non-Clearing Member other than an Associate Broker Non-Clearing Member;

"Average Price Call Option"	a Traded Average Price Option pursuant to which the Granter gives the Taker the right to buy from the Granter;
"Average Price Put Option"	a Traded Average Price Option pursuant to which the Granter gives the Taker the right to sell to the Granter;
"Business Day"	any day except Saturday, Sunday or any public or bank holiday in England or a day during which trade on the Exchange has been suspended by or under the authority of any enactment or a day which the Directors declare not to be a Business Day;
"Call Option"	an Option Contract pursuant to which the Granter gives the Taker the right to buy from the Granter or, in the case of an Index Option, a notional right to buy, to be cash settled;
"a Candidate"	a candidate for membership of the Exchange;
"Carry"	a Metal Future, Plastics Future or LMEmini Future for the purchase or sale of a specific number of Lots for one Prompt Date coupled with one or more Futures Contracts of the same type for the sale or, as the case may be, purchase comprising in aggregate the same number of Lots between the same parties for a more distant Prompt Date or Prompt Dates;
"Cash"	in relation to the period between 19.31 hours on one Business Day and 19.30 hours on the next Business Day and Contracts entered into in that period, the first Settlement Business Day which falls after the next following Business Day;
"Cash Today"	(a) in relation to Exchange Contracts entered into in the period between 19.31 hours on one Business Day and 12.30 hours on the next Business Day, the first Settlement Business Day after the latter Business Day;
	(b) in relation to Contracts other than Exchange Contracts entered into in the period between 19.31 hours on one Business Day and 12.20 hours on the next Business Day, the first Settlement Business Day after the latter Business Day;
"Chief Executive"	includes the Deputy Chief Executive and any other person for the time being appointed to perform the duties of Chief Executive of the Company;

"Claimant"	the person commencing an arbitration by serving a Notice to Arbitrate;
"Cleared Average Price Swap"	a cash-settled contract where both the buyer and the seller must be either a Ring Dealing Member or an Associate Broker Clearing Member pursuant to which the buyer and seller agree to pay or to receive in cash the difference between (i) the Monthly Average Settlement Price for a specified metal and for a specified month and (ii) the price agreed between the buyer and the seller in the Contract, multiplied by the Contract size, settled on the Prompt Date and subject to daily marking to market in accordance with the General Regulations of the Clearing House and conforming to the other specifications prescribed by the Exchange, which is not traded on the Exchange but is matched and cleared in accordance with the Rules and the General Regulations of the Clearing House;
"Cleared Average Price Swaps Regulations"	the Regulations set out in Part 11 of the Rules in relation to Cleared Average Price Swaps;
"the Clearing House"	LCH.Clearnet Limited or other clearing-house for the time being designated to clear Exchange Contracts;
"Clearing Member"	a Ring Dealing Member or Associate Clearing Member of the Exchange who is also a member of the Clearing House;
"Client"	a person who is not a Ring Dealing Member, Associate Broker Clearing Member or Associate Broker Member;
"Client Contract"	a Contract between a Clearing Member and any person other than another Clearing Member or a Contract between a Member who is not a Clearing Member and any other person;
"Client Index Contract"	a Client Contract which is an Index Contract;
"Client Index Future"	a Client Contract which is an Index Future;
"Client Index Option"	a Client Contract which is an Index Option;
"Client LMEmini Future"	a Client Contract which is an LMEmini Future;
"Client Metal Contract"	a Client Contract which is a Metal Contract;
"Client Option Contract"	a Client Contract which is an Option Contract;
"Client Plastics Contract"	a Client Contract which is a Plastics Contract;
"Client Traded Average Price Option"	a Traded Average Price Option where either Granter or Taker or each of them is not a Clearing Member;

"Close of Pleadings"	the end of a period of 28 days after the time for submission of the points of reply, unless otherwise ordered by the Tribunal;
"Closing Prices"	the prices determined for margining purposes on each Business Day by the Quotations Committee in accordance with Regulations 6.1 and 6.2 of the Trading Regulations or by the Clearing House in accordance with Regulation 12 of the Trading Regulations;
"the Company"	The London Metal Exchange Limited;
"Constituent Metals"	the metals underlying the Index, being copper, lead, nickel, primary aluminium, tin and zinc;

"Contract"

(a)   a contract for the purchase and sale of one or more Lots of a metal or Plastic for the time being dealt in on the Exchange in respect of which

> (1)   either the buyer or the seller or each of them is a Ring Dealing Member or an Associate Broker Member, and
>
> (2)   the delivery date is a Prompt Date for the time being permitted by the Rules, and
>
> (3)   the price is expressed in a currency for the time being permitted by the Rules, and
>
> (4)   the quality and other characteristics of the metal or Plastic concerned are expressly or impliedly to be as prescribed by the Exchange; or

(b)   Metal Option or Traded Average Price Option which has the characteristics prescribed by or pursuant to the Metal Options Regulations or, as the case may be, Traded Average Price Options Regulations to enter into a contract falling within (a) above; or

(c)   an Index Future or an Index Option which has the characteristics prescribed by the Rules and, as the case may be, the Index Option Regulations; or

(d)   an LMEmini Contract which has the characteristics prescribed by the Rules; or

	(e)	a Cleared Average Price Swap which has the characteristics prescribed by the Rules;
		but
	(f)	shall not include any contract which, by virtue of provisions agreed between the parties at or before the time they enter into the contract as to delivery or otherwise, is clearly intended to be performed otherwise than as prescribed by the Rules;

"Contract Regulations"	the Regulations set out in Part 4 of the Rules;
"Counterparty"	in relation to a party to a Contract, the other party to the same Contract;
"Counter Notice"	a notice served by the Respondent pursuant to Regulation 2.4 of Part 8 of the Rules;
"Cross"	a deemed sale and purchase by a Clearing Member to and from himself;
"Dealer"	a person duly authorised to trade on behalf of a Ring Dealing Member or in respect of LME Select, a person permitted to deal on LME Select on behalf of an LME Select Participant;
"Declaration Day"	in relation to a Traded Average Price Option for a particular month, the last Business Day in that month;
"Defaulter"	a person whom the Exchange has determined, in accordance with Regulation 2 of the Default Regulations, to be a defaulter;
"Default Notice"	notice of a determination by the Exchange issued pursuant to Regulation 4.1 of the Default Regulations;
"Default Regulations"	the Regulations contained in Part 9 of the Regulations;
"Default Settlement Amount"	the amount payable by one party to the other in respect of an Unsettled Contract to which a Defaulter is a party which is settled under or pursuant to the Default Regulations;

Default Settlement Price"

(a) in relation to a Metal Future, or Plastics Future or an LMEmini Future, the Settlement Price or Unofficial Closing Price for the relevant metal or Plastic and Prompt Date published next after the time of issue of the Default Notice (determined where necessary by reference to the Settlement Price or Unofficial Closing Price so published for other Prompt Dates); or

(b) in relation to an Index Future, the Index Futures Closing Price for the Prompt Date published next after the time of issue of the Default Notice (determined where necessary by reference to the Index Futures Closing Price so published for other Prompt Dates); or

(c) in relation to a Metal Option which is not, and is not deemed to be, exercised pursuant to the Default Regulations, the value of such Option determined, pursuant to Regulation 6.2 of the Metals Options Regulations next after the time of issue of the Default Notice; or

(d) in relation to a Traded Average Price Option Contract which is not, and is not deemed to be, exercised pursuant to the Default Regulations, the value of such Option Contract determined, pursuant to Regulation 12.3 of the Traded Average Price Options Regulations next after the time of issue of the Default Notice; or

(e) in relation to an Index Option which is not, and is not deemed to be, exercised pursuant to the Default Regulations, the value of such Option determined pursuant to Regulation 18.2 of the Index Options Regulations next after the time of issue of the Default Notice; or

(f) such other price or prices as the Exchange may, in its absolute discretion, determine;

"Delivery Point"
a specific geographic area within which warehouses may be listed and approved by the Exchange for the issue of Warrants;

"Deposit"
such sum as may be specified by Administrative Procedure from time to time;

"Designated Non-Member"	a person (other than a Member) designated from time to time by the Exchange as a person in respect of whom action may be taken under the Default Regulations or a person (other than a Member) falling within a description of persons so designated;
"the Directors"	the Board of Directors of the Company;
"Disciplinary Committee"	a committee appointed pursuant to Regulation 11 of the Membership Regulations;
"Enforcement Committee"	shall comprise five members chosen from the Board of Directors of the LME, appointed by the Executive Director: Regulation and Compliance in consultation with the Chairman. The quorum for the Enforcement Committee shall be three members. The Enforcement Committee shall not be quorate unless there is at least one independent Director present;
"Event of Default"	any of the events set out in Regulation 1 of the Default Regulations;
"the Exchange"	according to context, the London Metal Exchange administered by the Company, or the premises where Ring trading is conducted;
"Exchange Contract"	a Contract made between two Clearing Members, and, following registration with the Clearing House, the Contract or Contracts which may result from the process of novation in accordance with the General Regulations of the Clearing House;
"Exchange Index Contract"	an Exchange Contract which is an Index Contract;
"Exchange Index Future"	an Exchange Contract which is an Index Future;
"Exchange Index Option"	an Exchange Contract which is an Index option;
"Exchange LMEmini Future"	an Exchange Contract which is an LMEmini Future;
"Exchange Metal Contract"	an Exchange Contract which is a Metal Contract;
"Exchange Metal Future"	an Exchange Contract which is a Metal Future;
"Exchange Metal Option"	an Exchange Contract which is a Metal Option'
"Exchange Option Contract"	an Exchange Contract which is an Option Contract;
"Exchange Plastics Contract"	an Exchange Contract which is a Plastics Contract;
"Exchange Traded Average Price Option"	a Traded Average Price Option where both Granter and Taker are Clearing Members;

"Executive Director: Regulation and Compliance"	the Executive Director: Regulation and Compliance and any other person within the Regulation and Compliance division of the Exchange for the time being appointed to perform the duties of the Executive Director: Regulation and Compliance;
"FSA"	The Financial Services Authority;
"Futures Contract"	a Metal Future, Plastics Future, LMEmini Future or Index Future;
"FSMA"	Financial Services and Markets Act 2000, as from time to time amended;
"General Regulations of the Clearing House"	the General Regulations of the Clearing House, as for the time being in force in relation to the Exchange, and the procedures of the Clearing House with respect thereto;
"Granter"	the seller of an Option or Traded Average Price Option;
"In The Money"	(a) in relation to a Metal Option, that the Strike Price is, in the case of a Put Option, above or, in the case of a Call Option, below the last published Settlement Price at the relevant time for the relevant metal and Prompt Date; or
	(b) in relation to a Traded Average Price Option, that the Strike Price is, in the case of an Average Price Put Option, above or, in the case of an Average Price Call Option, below the last published Moving Monthly Average Settlement Price or Monthly Average Settlement Price at the relevant time for the relevant metal and Prompt Date; or
	(c) in relation to an Index Option, that the Strike Price is, in the case of a Put Option, above or, in the case of a Call Option, below the Settlement Price or last published Closing Price at the relevant time for the relevant Index Option and Prompt Date;
"Index"	an index denominated in US dollars the level of which is determined in accordance with the Special Contract Rules for the Construction of the Index;
"Index Contract"	an Index Future or an Index Option;

"Index Future"	a cash-settled Exchange-traded futures contract pursuant to which the buyer and seller agree to pay or receive in cash the difference between the level of the Index on the Prompt Date and the level agreed in the Contract, multiplied by the Contract size, settled on the Settlement Business Day next following the Prompt Date and subject to daily marking to market in accordance with the General Regulations of the Clearing House and conforming to the other specifications prescribed by the Exchange;
"Index Futures Closing Price"	the Closing Price of an Index Future as determined in accordance with Regulation 6 of the Trading Regulations;
"Index Option"	a cash-settled Exchange-traded option contract over the Index pursuant to which the Granter grants the Taker a right to receive in cash from the Granter the difference between the level of the Index on the Prompt Date and the Strike Price, multiplied by the Contract size, settled on the Settlement Business Day next following the Prompt Date and conforming to the other specifications prescribed by the Exchange;
"Index Option Regulations"	the Regulations set out in Part 5C of the Rules;
"Individual Member"	a Member who is not an Undertaking or a member of an Undertaking;
"Initial Margin"	(a) in relation to an Exchange Contract, the sum of money fixed by the Clearing House in consultation with the Exchange and in respect of which Members may be required to provide to the Clearing House cover in accordance with the General Regulations of the Clearing House;
	(b) in relation to a Client Contract, such sum as may be agreed between the parties provided that such sum is equal to or greater than the amount in (a) above;
"Investment and Investment Business"	the same meaning as set out in the FSMA and The Regulated Activities Order 2001;
"Invoicing Back"	the procedure so described in the General Regulations of the Clearing House;
"Last Declaration Day"	(a) in relation to a Metal Option for a particular month, the first Wednesday in that month or, if that is not a Business Day, the next day which is a Business Day;

	(b)	in relation to an Index Option for a particular month, up to 16.35 hours on the second Wednesday in that month or, if that is not a Business Day, the next day which is a Business Day;
"Last Trading Day"	(a)	in relation to a Metal Option, the Business Day preceding the Last Declaration Day for that Option; or
	(b)	in relation to a Traded Average Price Option, the Business Day preceding the Declaration Day of the relevant month for that Traded Average Price Option; or
	(c)	in relation to an Index Option, the Last Declaration Day for that Index Option;
	(d)	in relation to an LMEmini Future, the Business Day which is two Business Days before the Prompt Date;
"LMEmini Last Trading Time"		the last trading time on the Last Trading Day for LMEmini Contracts as specified in the Special Contract Rules for LMEmini Contracts or as otherwise prescribed by the Exchange from time to time;
"LME Holdings"		LME Holdings Limited, a company registered in England and Wales under company number 4081219 with a registered office at 56 Leadenhall Street, London, EC3A 2DX, being the sole member of the Company;
"LMEmini Contract"		an LMEmini Future;
"LMEmini Future"		a cash-settled Exchange-traded futures contract pursuant to which the buyer and seller agree to pay or to receive in cash the difference between the Settlement Price of the underlying metal on the Prompt Date and the price of the underlying metal agreed in the Contract, multiplied by the Contract size, settled on the Prompt Date and subject to daily marking to market in accordance with the General Regulations of the Clearing House and conforming to the other specifications prescribed by the Exchange;
"LMEmini Futures Closing Price"		the Closing Price of the relevant underlying Metal Future as determined in accordance with Regulation 6 of the Trading Regulations;
"LME Select"		a system provided by the Exchange to enable the electronic trading of Exchange Contracts by LME Select Participants in accordance with the Rules and the LME Select Operating Procedures;

"LME Select Operating Procedures"	the regulations governing the operation of LME Select issued by the Exchange as amended from time to time in accordance with the terms thereof and forming part of Part 3 of the Rules;
"LME Select Participant"	Ring Dealing Member or Associate Broker Clearing Member who is permitted to use LME Select;
"Lot"	(a) in relation to a metal or a Plastic, the standard unit of quantity thereof, specified in the Special Rules of Contract for that metal or Plastic, by reference to which settlement is to be made; or
	(b) in relation to the Index, the standard value per point movement for that Index, specified in the Special Contract Rules for the Construction of the Index, by reference to which settlement is made; or
	(c) in relation to an LMEmini Contract, the standard unit of quantity thereof, specified in the Special Contract Rules for LMEmini Contracts, by reference to which settlement is made;
"Major Currency"	in respect of a metal or Plastic, the currency in which the Settlement Price and Closing Price are to be determined;
"Matching Period"	a period prescribed pursuant to Regulation 3.6 of the Trading Regulations;
"Matching System"	the system operated by or on behalf of the Exchange for the matching and confirmation of Exchange Contracts, or such other system as may from time to time be adopted by the Exchange for that purpose;
"Member"	an Undertaking or individual admitted to membership of the Exchange in accordance with the Rules;
"Membership Regulations"	the Regulations set out in Part 2 of the Rules;
"Metal Contract"	a Metal Future or Metal Option;
"Metal Future"	an Exchange-traded futures contract pursuant to which the seller agrees to sell to the buyer one or more Lots of metal for delivery on a specified Prompt Date;

"Metal Lending Guidance"	paragraph 13.24 of Market Aberrations: The Way Forward, published by the Exchange in October 1998, setting out the behaviour required of the holders of dominant long positions in the Exchange's metal markets, including any clarification or explanation of that behaviour issued by the Exchange from time to time;
"Metal Option"	an Exchange-traded option contract pursuant to which the Granter grants to the Taker the right to buy from or sell to the Granter a Lot of a specified metal at a specified Strike Price in a specified month;
"Metal Options Regulations"	the Regulations set out in Part 5A of the Rules;
"Metal Warrant"	a Warrant for the storage of metal;
"Monthly Average Settlement Price"	(a) in relation to an Average Price Call Option, the price at which the Taker will sell to the Granter if the Traded Average Price Option is declared;
	(b) in relation to an Average Price Put Option, the price at which the Taker will buy from the Granter if the Traded Average Price Option is declared;
	(c) in relation to a Traded Average Price Option for a particular month, the aggregate of the Settlement Prices for the relevant metal for every Business Day in the relevant tradeable month divided by the number of Business Days for that month and which is calculated and published by the Exchange;
	(d) in relation to a Cleared Average Price Swap for a particular month, the aggregate of the Settlement Prices for the relevant metal for every Business Day in the relevant tradeable month divided by the number of Business Days for that month and which is calculated and published by the Exchange.
"Moving Monthly Average Settlement Price"	in relation to a Traded Average Price Option for a particular month, the aggregate of the Settlement Prices for the relevant metal for every Business Day to date in the relevant tradeable month divided by the number of Business Days to date for that month and which is calculated and published by the Exchange;

"Notice to Arbitrate"	a Notice served by the Claimant pursuant to Regulation 2.1 of Part 8 of the Rules;
"Official Prices"	the prices determined in accordance with Regulation 5 of the Trading Regulations;
"Operating Procedures"	the manual issued by the Exchange pursuant to the SWORD Regulations setting out detailed procedures and information relating to the operation of SWORD;
"Option Contract"	a Metal Option or an Index Option;
"Options Regulations"	the Regulations set out in Part 5A of the Rules;
"Overseas Undertaking"	an undertaking which is a body corporate incorporated outside of the United Kingdom or if not itself a body corporate, its principal or managing member is a body corporate incorporated outside of the United Kingdom;
"Panel"	the Arbitration Panel of the Company;
"Panel Committee"	a committee appointed by the Directors to oversee the conduct of arbitrations pursuant to the Arbitration Regulations, and in particular to perform the functions and powers referred to in the Arbitration Regulations;
"Parent Undertaking"	the same meaning as set out in section 258 of the Companies Act 1985;
"Plastics"	PP, PA, PE, PN, LL, LA, LE and LN, as specified in the Special Contract Rules for Plastics;
"Plastics Contract"	a Plastics Future;
"Plastics Future"	an Exchange-traded futures Contract pursuant to which the seller agrees to sell to the buyer one or more Lots of Plastic for delivery on a specified Prompt Date;
"Plastics Lending Guidance"	guidance setting out the behaviour required of the holders of dominant long positions in the Exchange's Plastics markets, including any clarification or explanation of their behaviour, published by the Exchange from time-to-time;
"Plastics Warrant"	a Warrant for the storage of Plastic;
"Prompt Date"	(a) in relation to a Metal Future, Plastics Future or LMEmini Future, the Business Day on which, having regard where relevant to Regulation 8 of the Trading Regulations, the Contract is to be settled; or

	(b) in relation to an Index Contract, the Business Day on which, having regard where relevant to Regulation 8 of the Trading Regulations, the Settlement Price of the Index is determined, with settlement of the Contract on the next Settlement Business Day;
	(c) in relation to a Cleared Average Price Swap, the day on which, having regard where relevant to Regulation 4 of the Cleared Average Price Swap Regulations, the Contract is to be settled;
"Put Option"	an Option Contract pursuant to which the Granter gives the Taker the right to sell to the Granter or in the case of an Index Option, the notional right to sell to be cash settled;
"Quotations Committee"	a committee authorised by the Directors to be responsible for determining Closing Prices and Settlement Prices;
"Registration Fee"	such sum as may be specified by Administrative Procedure from time to time;
"Relevant Office Holder"	has the meaning attributed thereto by section 189 of the Companies Act 1989;
"Respondent"	the person receiving a Notice to Arbitrate served by the Claimant;
"Ring"	an Exchange open-outcry trading session in a type of Contract, of such duration and at such times as are laid down by the Directors, or the ring area of the Exchange as the context requires;
"Ring Committee"	a committee appointed by the Directors to oversee trading in the Ring;
"Ring Dealing Member"	a Member for the time being authorised by the Directors to trade in the Ring.
"Ring Disciplinary Committee"	a committee appointed by the Directors to enforce discipline on the premises of the Exchange;
"Ring Discipline Supervisory Panel"	Directors appointed by the Directors to enforce discipline on the premises of the Exchange;
"Rules"	means these rules and regulations as the same may be amended in accordance with the Articles;

"Secretary"	any person appointed to perform the duties of Secretary of the Company, and for the purpose only of Part 8 of the Rules, any person to whom the functions and powers of the Secretary referred to therein may be delegated from time to time;
"Settlement Business Day"	a Business Day on which commercial banks are open in New York City for the settlement of international transactions in US dollars;
"Settlement Price"	a price determined by the Quotations Committee in accordance with Regulation 5.1 and in the circumstances specified in Regulation 5.3, of the Trading Regulations (in respect of Metal Contracts) or Regulation 5.6 of the Trading Regulations (in respect of Index Contracts) or Regulation 5.7 of the Trading Regulations (in respect of Plastics Contracts) or by the Clearing House in accordance with Regulation 13 of the Trading Regulations;
"Special Committee"	the Committee to whom the Directors have delegated the emergency powers under Regulation 15 of Part 3 as permitted by Article 48;
"Special Contract Rules for LMEmini Contracts"	the Regulations set out in Part 6C of the Rules;
"Special Contract Rules for Metals"	the Regulations set out in Part 6 of the Rules;
"Special Contract Rules for Plastics"	the Regulations set out in Part 6B of the Rules;
"Special Contract Rules for the Construction of the Index"	the Regulations set out in Part 6A of the Rules;
"Strike Price"	(a) in relation to a Call Option which is a Metal Option, the price at which the Taker will buy from the Granter if the Option is declared;
	(b) in relation to a Put Option which is a Metal Option, the price at which the Taker will sell to the Granter if the Option is declared;
	(c) in relation to an Average Price Call Option, the price at which the Taker will buy from the Granter if the Traded Average Price Option is declared;
	(d) in relation to an Average Price Put Option, the price at which the Taker will sell to the Granter if the Traded Average Price Option is declared;

	(e) in relation to an Option Contract which is an Index Option, the agreed level of the Index which shall be compared with the Settlement Price of the Index on the Prompt Date to determine the amount payable to the Taker (if any);
"Subsidiary Undertaking"	the same meaning as set out in section 258 of the Companies Act 1985;
"SWORD"	the system for, inter alia, the electronic transfer of title to Warrants governed and constituted by the SWORD Regulations;
"SWORD Regulations"	the regulations governing the operation of SWORD issued by the Exchange as amended from time to time in accordance with the terms thereof and forming Part 10 of the Rules;
"Taker"	the buyer of a Traded Option;
"Traded Average Price Option"	an Exchange-traded option contract pursuant to which the Granter grants to the Taker the right to buy from the Granter a Lot of a specified metal at a specified Strike Price in a specified month and to sell to the Granter a Lot of a specified metal at the Monthly Average Settlement Price in that same specified month, or vice versa, the declaration of which will take place automatically if the Monthly Average Settlement Price is, in the case of an Average Price Call Option, greater than the Strike Price or, in the case of an Average Price Put Option, less than the Strike Price for the relevant tradeable month;
"Traded Option"	an Option Contract or a Traded Average Price Option;
"Traded Options Committee"	the committee appointed by the Directors for the purpose of administering trading in Traded Options;
"Traded Options Regulations"	the Regulations set out in Part 5 of the Rules in relation to Metal Options, Traded Average Price Options and Index Options;
"Trading Regulations"	the regulations set out in Part 3 of the Rules;
"Tribunal"	the tribunal of one, two or three arbitrators appointed in accordance with Regulation 3 of Part 8 of the Rules;
"Undertaking"	the same meaning as set out in section 259 of the Companies Act 1985;
"Unofficial Closing Price"	a price determined by the Quotations Committee in accordance with Regulation 5.5 of the Trading Regulations;

"Unsettled Contract"	a Contract in respect of which the obligations of the parties have not been discharged whether by performance, set-off or otherwise;
"Variation Margin"	(a) in relation to an Exchange Contract, the sum of money determined by the Clearing House under the General Regulations of the Clearing House;
	(b) in relation to a Client Contract, the sum of money determined by the relevant Ring Dealing or Associate Broker Clearing Member (or, where no such Member is a party, by the relevant Associate Broker non-Clearing Member) representing the difference, if any, between the price of the relevant Contract and the Closing Price most recently quoted or such larger sum as may be agreed between the parties;
"Warrant"	a warehouse warrant issued by a listed warehouse and in a form approved by the Exchange and, where the context so requires, shall mean a Metal Warrant and/or a Plastics Warrant;
"Weighting"	the factor determined by the Exchange from time to time which, when multiplied by the Settlement Price of a Constituent Metal, determines the contribution to the Index of that Constituent Metal;
"Working Day"	any weekday, Monday to Friday inclusive, which is not a public holiday in England and Wales.

1.2 In Parts 8 and 10 of these Rules, the additional definitions set out therein shall apply for the purpose of construing the relevant words and expression in those Parts.

1.3 Words importing the singular shall, where the context permits, include the plural and *vice versa*. Words importing gender shall include each gender. Words importing persons shall, where the context permits or requires, include partnerships and corporations.

1.4 Where reference is made to a Regulation in any Part of the Rules it shall be deemed to be a reference to a Regulation in that Part unless the context otherwise requires.

2 GENERAL

2.1 The Rules are made and subject as provided by law may be altered by the Directors in accordance with the powers conferred on them by the Articles.

2.2 Administrative Procedures may be issued by (a) the Chief Executive, or those empowered by him for this purpose, in relation to commercial matters, and (b) by the Executive Director: Regulation and Compliance, or those empowered by him for this purpose, in relation to regulatory and compliance matters, and shall have the same force as Rules.

2.3   Administrative Procedures shall be sent to such class or classes of Member to whom they apply.

2.4   The Rules and Administrative Procedures shall be binding on all Members. Failure to comply with any of them or with any decision of the Directors or direction of the Exchange made pursuant to them shall constitute a breach of the Rules for the purposes of disciplinary procedures.

2.5   The Directors or the Executive Director: Regulation and Compliance may grant to a Member a waiver of particular requirements of these Rules in such circumstances and subject to such conditions as either think fit, provided that the Directors or the Executive Director: Regulation and Compliance are satisfied that compliance with the relevant requirements would be unduly burdensome to the Member and that the waiver would not create unacceptable risks for the Exchange, or the market generally, and would not result in unreasonable or inequitable discrimination between Members. Waivers granted by the Executive Director: Regulation and Compliance shall be subsequently notified to the next Board.

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

PART 11

CLEARED AVERAGE PRICE SWAPS REGULATIONS

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CONTENTS

1 GENERAL

1.1 The following Regulations shall, unless the context otherwise requires, apply to Cleared Average Price Swaps:

(a) The Definitions and General Rules;

(b) Regulations 15 and 17 of the Trading Regulations;

(c) Regulations 9, 10 and 11 of the Contract Regulations;

(d) The Arbitration Regulations; and

(e) The Default Regulations.

1.2 The General Regulations of the Clearing House shall apply to Cleared Average Price Swaps.

1.3 The Exchange shall not operate a forum for trading Cleared Average Price Swaps.

2 PERMITTED CLEARED AVERAGE PRICE SWAPS

2.1 Cleared Average Price Swaps shall be available in respect of such metals and on such terms as set out in the Appendix to these Cleared Average Price Swaps Regulations.

3 THE MATCHING AND RECORDING OF CLEARED AVERAGE PRICE SWAPS

3.1 All Cleared Average Price Swaps shall be input into the Matching System and registered as such with the Clearing House, subject to and in accordance with these Cleared Average Price Swaps Regulations and the General Regulations of the Clearing House. The Exchange may prescribe from time to time the form and timeframe for the input of Cleared Average Price Swaps into the Matching System.

3.2 Only Ring Dealing Members and Associate Broker Clearing Members may input Cleared Average Price Swaps into the Matching System.

4 SETTLEMENT

4.1 Cleared Average Price Swaps shall have as their Prompt Date the day which is two Business Days following the last Business Day of the relevant tradeable month.

4.2 Settlement of all Cleared Average Price Swaps shall be made in cash on the relevant Prompt Date by reference to the Monthly Average Settlement Price determined for the relevant tradeable month for the relevant metal, provided that only the difference between the Monthly Average Settlement Price of the relevant metal for the relevant tradeable month and the price of the relevant metal agreed in the Contract shall be payable by or to the buyer or seller, as the case may be, multiplied by the Contract size.

4.3 In addition to their settlement on the Prompt Date, all Cleared Average Price Swaps shall be subject to daily marking to market in accordance with the General Regulations of the Clearing House.

CLEARED AVERAGE PRICE SWAPS REGULATIONS

APPENDIX

1 THE CLEARED AVERAGE PRICE SWAP CONTRACT SPECIFICATION

1.1 Contracts

Cleared Average Price Swaps shall be available for such metals and shall have such Lot sizes as set out in Table 1.1 below.

Table 1.1

Metal	Lot size (tonnes)	Months
Primary Aluminium	25	63
NASAAC Aluminium Alloy	20	27
Aluminium Alloy	20	27
Special High Grade Zinc	25	27
Tin	5	15
Nickel	6	27
Copper Grade A	25	63
Standard Lead	25	15

1.2 Prompt Date

Two Business Days following the last Business Day of the relevant tradeable month.

1.3 Tradeable Months

For each metal, Cleared Average Price Swaps shall be available in respect of each calendar month from and including the calendar month in which the Contract is made out to the number of months for that metal as set out in Table 1.1 above.

1.4 Last Trade Time

Trading times for all Cleared Average Price Swaps shall not be later than 12.30 hours London time on the last Business Day of the relevant tradeable month.

1.5 Settlement Basis

Cash settlement by reference to the Monthly Average Settlement Price determined for the relevant tradeable month for the relevant metal.

1.6 Cash Settlement

On the Prompt Date

1.7 Currency

US Dollars

1.8 Minimum Price Movement

$0.01

LONDON METAL EXCHANGE

To: ALL MEMBERS

Ref: 08/126 : A122

Date: 25 April 2008

Subject: **REVISED MATCHING DEADLINES WITH THE INTRODUCTION OF THE LME STEEL CONTRACT**

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Further to notice 08/115 : A111 dated 23 April 2008 please find attached amended tables showing the revised deadlines – including the correct deadlines for Kerbs 7-9. Please discard notice 08/115 and replace it with this notice.

Joanna Stuart
Market Surveillance

cc: Board directors

MATCHING TIMES FOR MEMBER TO MEMBER DD TRADES

Ring 1		R1 Matching Deadline	Basis Trades C1 Matching Deadline
11:40-11:45	Steel	12:15	12:15
11:45-11:50	Aluminium Alloy/NASAAC	12:20	12:20
11:50-11:55	Tin	12:25	12:25
11:55-12:00	Primary Aluminium	12:30	12:30
12:00-12:05	Copper	12:35	12:35
12:05-12:10	Lead	12:40	12:40
12:10-12:15	Zinc	12:45	12:45
12:15-12:20	Nickel	12:50	12:50
12:20-12:25	Plastics	12:55	12:55
12:25-12:30	Interval		

Ring 2		R2 Matching Deadline	Basis Trades C2 Matching Deadline
12:30-12:35	Copper	13:05	13:05
12:35-12:40	Aluminium Alloy/NASAAC	13:10	13:10
12:40-12:45	Tin	13:15	13:15
12:45-12:50	Lead	13:20	13:20
12:50-12:55	Zinc	13:25	13:25
12:55-13:00	Primary Aluminium	13:30	13:30
13:00-13:05	Nickel	13:35	13:35
13:05-13:10	Steel	13:40	13:40
13:10-13:20	Interval		

Kerbs (1-6)	Trades with RDMs	Kerb Matching Deadline	Trades With Non-RDMs	Basis Trades Kerb Matching Deadline
13:20-13:30	K1	14:00	D1	14:00
13:31-13:45	K2	14:15	D2	14:15
13:46-14:00	K3	14:30	D3	14:30
14:01-14:15	K4	14:45	D4	14:45
14:16-14:30	K5	15:00	D5	15:00
14:31-14:45	K6	15:15	D6	15:15

Ring 3		R3 Matching Deadline	Basis Trades C3 Matching Deadline
14.55-15.00	Aluminium Alloy/NASAAC	15:30	15:30
15:00-15:05	Lead	15:35	15:35
15:05-15:10	Zinc	15:40	15:40
15:10-15:15	Copper Grade A	15:45	15:45
15:15-15:20	Primary Aluminium	15:50	15:50
15:20-15:25	Tin	15:55	15:55
15:25-15:30	Nickel	16:00	16:00

Ring 4		R4 Matching Deadline	Basis Trades C4 Matching Deadline
15:30-15:35	Steel	16:05	16:05
15:35-15:40	Plastics	16:10	16:10
15:40-15:45	Lead	16:15	16:15
15:45-15:50	Zinc	16:20	16:20
15:50-15:55	Copper	16:25	16:25
15:55-16:00	Primary Aluminium	16:30	16:30
16:00-16:05	Tin	16:35	16:35
16:05-16:10	Nickel	16:40	16:40
16:10-16:15	Aluminium Alloy/NASAAC	16:45	16:45

Kerbs (7-9)	Trades with RDMs	Kerb Matching Deadline	Trades with Non-RDMs	Basis Trades Kerb Matching Deadline
16:15-16:30	K7	17:45	D7	17:45
16:30-16:45	K8	17:45	D8	17:45
16:45-17:00	K9	17:45	D9	17:45

To: CATEGORY 1, 2 AND 3 MEMBERS

Ref: 08/155 : A150 : R012

Date: 28 May 2008

Subject: **COMPULSORY USE OF SHORT CODES FOR MATCHING**

Summary

1   This notice confirms the proposal in LME notice 08/103 to make the use of the "S", "C" and "B" short codes compulsory for LME clearing members. The proposed effective date has been changed to Monday 29 September 2008.

Consultation

2   LME notice 08/103 dated 9 April 2008 consulted on a proposal to make the use of "S", "C" and "B" short codes compulsory for all clearing members with effect from Monday 30 June 2008. There were ten responses to the proposal. All ten agreed that the use of the short codes should be made compulsory. However, seven of the ten said that the proposed effective date was too aggressive. As a result, the Exchange has decided to go ahead with making the short codes compulsory but to defer the effective date until 29 September 2008.

Compulsory Use of "S" Short Code

3   With effect from 29 September 2008 clearing members who enter into Exchange Futures Contracts where the prices are based on that day's Settlement Prices must use the "S" short code in the price field for inputting those contracts into the LME matching and clearing system ("MCS").

4   The relevant trades may be outrights or Carries. "S +/-" an amount may be used in the price field to allow for any agreed premium or discount to the Settlement Price.

5   In the case of Carries the "S" short code must be used in the Cash Prompt Date leg but not in any of the other legs. The relevant +/- amount should be the only input into the price field for other legs of that Carry. If for a Carry the Cash Prompt Date leg is input with a premium or discount amount, the pricing basis for each of the other legs will be the Settlement Price after adjustment for this premium or discount. Please refer to the example in the attached Schedule.

ExD08045

The London Metal Exchange Limited 56 Leadenhall Street London EC3A 2DX
Telephone: +44 (0)20 7264 5555 Fax: +44 (0)20 7680 0505 info@lme.com
www.lme.com

Compulsory Use of "C" and "B" Short Codes
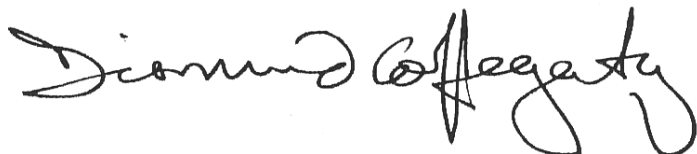
6   With effect from 29 September 2008 clearing members who enter into Exchange Contracts where the prices are based on that day's Closing Prices must use the "C" short code or the "B" short code in the price field for inputting those contracts into MCS.

7   The "C" short code must be used for an outright trade where the price is based on one of that day's Closing Prices.

8   The "C" short code must also be used for each leg of a Carry where the price for each leg is based on the relevant Closing Price for the Prompt Date of that leg. The use of "C" with a Prompt Date will generate the Closing Price for that Prompt Date. "C +/-" an amount may be added to the entry field to allow for any agreed premium or discount to a Closing Price. Please refer to the example in the attached Schedule.

9   The "B" short code must be used for a Carry where the pricing basis for only one of the legs is the relevant Closing Price and the other legs are priced as a differential to the pricing leg. The "B" short code must be used for the pricing leg of the Carry but not for any of the other legs. The relevant +/- amount should be the only input into the price field for the other legs of that Carry. "B +/-" an amount may be used for the pricing leg of a Carry to allow for any premium or discount to the Closing Price. If this is done, the pricing basis for each of the other legs will be the Closing Price of the pricing leg after adjustment for the premium or discount. Please refer to the example in the attached Schedule.

10   The attached schedule gives worked examples for the "S", "C" and "B" short codes. Those with queries on how to use the short codes should contact LME Member Surveillance at membersurveillance@lme.com

Diarmuid O'Hegarty

cc: Board directors

SCHEDULE

Examples of Carries Using "S", "C" and "B" Short Codes

Settlement Price (S)

Input				Description	Example
Buy/Sell	**Lots**	**Price**	**Prompt**		**Calculation**
B	10	S+10	031008	Settlement Price (90) + 10	90 + 10 =100
S	5	-5	191108	Set. Price(90) +10 - 5	90 + 10 - 5 = 95
S	5	+2	171208	Set. Price(90) +10 + 2	90 + 10 + 2 = 102

Closing Price (C)

Input				Description	Example
Buy/Sell	**Lots**	**Price**	**Prompt**		**Calculation**
B	10	C+10	151008	Oct Closing Price (100) + 10	100+10 =110
S	5	C-5	191108	Nov Closing Price (110) - 5	110-5 =105
S	5	C+2	171208	Dec Closing Price (120) + 2	120+2 =122

Basis Leg Closing Price (B)

Input				Description	Example
Buy/Sell	**Lots**	**Price**	**Prompt**		**Calculation**
B	10	B+10	151008	Oct Closing Price (100) + 10	100+10 = 110
S	5	-5	191108	Oct Closing Price (100) + 10 - 5	100+10-5 = 105
S	5	+2	171208	Oct Closing Price (100) + 10 + 2	100+10+2 = 112

Notes

1. The examples assume that the trade date is 1 October 2008. The Settlement Price established on 1 October for Prompt 3 October is 90 and the Closing Prices established for October 2008, November 2008 and December 2008 are 100, 110 and 120 respectively.

2. The price may be in any valid currency.

3. In the "S" example a premium of 10 has been added to the Settlement Price and therefore the Settlement Price plus this premium becomes the basis for calculating the price of the other two legs.

4. In the "B" example a premium of 10 has been added to the Closing Price and therefore the Closing Price plus this premium becomes the basis for calculating the price of the other two legs.

5. The Inputs are shown as seen on MCS screens.

6. Validation rules do not allow mixing of abbreviation within trades (e.g. C & B or S in the same trade are not valid).

LONDON METAL EXCHANGE

To: All members

Ref: 08/199 : A193

Date: 25 June 2008

Subject: **AMENDED OPTIONS STRIKE PRICE GRADATIONS FOR ALL METALS DENOMINATED IN US DOLLARS AND EUROS**

You are advised that the options strike price gradations on all metals denominated in US Dollars and Euros will be amended in accordance with the schedule listed below:-

USD/EUR 25 gradations for strikes between
USD/EUR 25 up to USD/EUR 9975

USD/EUR 50 gradations for strikes between
USD/EUR 10000 up to USD/EUR 19950

USD/EUR 100 gradations for all strikes over
USD/EUR 20000

The amended strike price gradations will be introduced on Monday 29 September 2008 with the first tradable month being October 2008.

Emma Davey
Manager, Business Development and Membership
cc.   Board Directors
        Trading Committee

LME-001223

LONDON METAL EXCHANGE

---------From Executive Director: Regulation and Compliance

To: ALL MEMBERS

Ref: 08/322 : R021

Date: 14 October 2008

Subject: **TRADE TIMES WHEN USING SHORT CODES**

Summary

1 Members have requested clarification on what trade time to input into the matching system when using the pricing short codes of "S", "B" and "C". This notice supersedes the relevant part of LME notice 99/326.

Background

2 On 29 September 2008 the use of the "S", "C" and "B" price codes was made compulsory. LME notice 08/155 explains the use of the short codes and gives examples. The schedule to this notice repeats those explanations and examples.

3 The short codes allow trades to be input into the matching without the need for members to wait for settlement and closing prices to be published. The matching system replaces the short codes with the relevant prices once they have been published. Prior to the introduction of the short codes members were advised to enter the time at which the relevant price was published as the trade time. That is no longer necessary. Members should use the actual trade time as explained in paragraphs 4 and 5 below.

Guidance on timing of trades using price short codes

4 "S" short code:–

(a) Trades agreed outside of Ring sessions but using the "S" price short code should be input into the matching system with the absolute time the trade was agreed as the trade time.

(b) Trades using the "S" price short code agreed during a Ring session should be input into the matching system using the appropriate Ring time codes (i.e. a trade agreed during Ring 1 which uses the "S" price

short code would use time code R1 or C1 depending on the membership category of the counterparty).

5   "B" or "C" short code –

(a)   Trades agreed outside of Ring or Kerb sessions but using the "B" or "C" price short code should be input into the matching system with the absolute time the trade was agreed as the trade time.

(b)   Trades using the "B" or "C" price short code agreed during a Ring or Kerb session should be input into the matching system using the appropriate Ring or Kerb time codes (i.e. a trade agreed during Ring 3 which uses the "B" or "C" price short code would use time code R3 or C3 depending on the membership category of the counterparty).

Current Member use of Price Short Codes

6   The LME is aware that a small number of members have not yet implemented full use of the short codes. Until this has been rectified, members who have implemented full use of the short codes will not be penalised for delays caused by the counterparty's failure to use the short codes. Members affected by this should submit details of the relevant trades to LME Market Surveillance.

Diarmuid O'Hegarty

cc: Board directors

SCHEDULE

Use of the "S" Short Code

1   Exchange Futures Contracts where the prices are based on that day's Settlement Prices must use the "S" short code in the price field for inputting those contracts into the LME matching system.

2   The relevant trades may be outrights or Carries. "S +/-" an amount may be used in the price field to allow for any agreed premium or discount to the Settlement Price.

3   In the case of Carries the "S" short code must be used in the Cash Prompt Date leg but not in any of the other legs. The relevant +/- amount should be the only input into the price field for other legs of that Carry. If for a Carry the Cash Prompt Date leg is input with a premium or discount amount, the pricing basis for each of the other legs will be the Settlement Price after adjustment for this premium or discount. Please refer to the example below.

Use of "C" Short Code

4   Exchange Contracts where the prices are based on that day's Closing Prices must use the "C" short code or the "B" short code in the price field for inputting those contracts into LME matching system.

5   The "C" short code must be used for an outright trade where the price is based on one of that day's Closing Prices.

6   The "C" short code must also be used for each leg of a Carry where the price for each leg is based on the relevant Closing Price for the Prompt Date of that leg. The use of "C" with a Prompt Date will generate the Closing Price for that Prompt Date. "C +/-" an amount may be added to the entry field to allow for any agreed premium or discount to a Closing Price. Please refer to the example below.

Use of "B" Short Code

7   The "B" short code must be used for a Carry where the pricing basis for only one of the legs is the relevant Closing Price and the other legs are priced as a differential to the pricing leg. The "B" short code must be used for the pricing leg of the Carry but not for any of the other legs. The relevant +/- amount should be the only input into the price field for the other legs of that Carry. "B +/-" an amount may be used for the pricing leg of a Carry to allow for any premium or discount to the Closing Price. If this is done, the pricing basis for each of the other legs will be the Closing Price of the pricing leg after adjustment for the premium or discount. Please refer to the example below.

Examples of Carries Using "S", "C" and "B" Short Codes

Settlement Price (S)

Input				Description	Example Calculation
Buy/Sell	**Lots**	**Price**	**Prompt**		
B	10	S+10	031008	Settlement Price (90) + 10	90 + 10 = 100
S	5	-5	191108	Set. Price(90) +10 - 5	90 + 10 - 5 = 95
S	5	+2	171208	Set. Price(90) +10 + 2	90 + 10 + 2 = 102

Closing Price (C)

Input				Description	Example Calculation
Buy/Sell	**Lots**	**Price**	**Prompt**		
B	10	C+10	151008	Oct Closing Price (100) + 10	100 + 10 = 110
S	5	C-5	191108	Nov Closing Price (110) - 5	110 - 5 = 105
S	5	C+2	171208	Dec Closing Price (120) + 2	120 + 2 = 122

Basis Leg Closing Price (B)

Input				Description	Example Calculation
Buy/Sell	**Lots**	**Price**	**Prompt**		
B	10	B+10	151008	Oct Closing Price (100) + 10	100 + 10 = 110
S	5	-5	191108	Oct Closing Price (100) + 10 - 5	100 + 10 - 5 = 105
S	5	+2	171208	Oct Closing Price (100) + 10 + 2	100 + 10 + 2 = 112

Notes

1 The examples assume that the trade date is 1 October 2008. The Settlement Price established on 1 October for Prompt 3 October is 90 and the Closing Prices established for October 2008, November 2008 and December 2008 are 100, 110 and 120 respectively.

2 The price may be in any valid currency.

3 In the "S" example a premium of 10 has been added to the Settlement Price and therefore the Settlement Price plus this premium becomes the basis for calculating the price of the other two legs.

4 In the "B" example a premium of 10 has been added to the Closing Price and therefore the Closing Price plus this premium becomes the basis for calculating the price of the other two legs.

5 The Inputs are shown as seen on MCS screens.

6 Validation rules do not allow mixing of abbreviation within trades (e.g. C & B or S in the same trade are not valid).

LONDON METAL EXCHANGE

To: ALL MEMBERS

Ref: 08/387: A374

Date: 21 November 2008

Subject: **LME TRADED OPTIONS VOLATILITIES**

Summary

1   The use of at-the-money ("ATM") strike for the purposes of collecting and establishing closing LME options volatilities will be changed from the relevant underlying metal futures price to be replaced by 50 delta.

2   The Exchange proposes to collect and establish closing LME options volatilities in the format of five delta points: -10, -25, +50, +25 and +10.

Background

3   LME Notice 08/305, dated 6 October 2008, summarised: the responses to proposals to change the procedures for collecting and establishing closing LME options volatilities; and the discussion of the same issues at the LME Traded Options Committee.

Volatility Contributions in delta space

4   An alternative to replace volatilities for the "ATM" strike was considered. Volatilities for the "ATM" strike defined as the relevant underlying metal futures price are currently collected for margining purposes. An alternative is to replace this with 50 Delta = the strike at which the delta of the put = the delta of the call.

5   The outcome of the consultation and the discussions at the LME Traded Options Committee was that the mid-point for creating an options volatility curve should be 50 delta instead of the ATM strike. Using 50 delta as the mid point will give better spacing for longer-dated options contracts and will provide a more useful surface point for interpolation. Currently LCH.Clearnet (LCHC) uses one ATM volatility to margin flat across the strikes for each series. Replacing the ATM strike to 50 delta will not have any major effect on options margins whilst only one volatility is used to margin flat across all strikes.

LME-001228

6   Members who contribute to the establishment of LME closing options volatilities should commence to provide volatilities for 50 delta from 31 December 2008 onwards. The LCHC will continue to use the at-the-money strike which represents the relevant underlying futures price to auto-exercise on the day before expiry of the options.

Option volatility wings

7   Currently the LME collects and establishes closing options volatilities for ATM strikes. The Exchange is working to collect and establish closing options volatilities for deltas either side of ATM. It is for this reason that a new IT system is being implemented by the Exchange to collect closing volatilities in delta space at 5 delta points (-10, -25, +50, +25 and +10) for each option series from contributing members that are active in the LME Options markets. LME intends to publish the wing volatilities data to provide better price transparency to reflect the volatility skews that may be present in each of these series.

8   There have been many debates over the best methodology to be used to interpolate the five delta point volatility surface into recognised strikes and how that data will be used and published. The Exchange recognises that there are many methodologies for interpolation, each with their own merits. The Exchange has undertaken a study of the different methodologies and has concluded that the Exchange should not impose one methodology. Participants in the market should use the methodology best suited to them. For this reason the Exchange will publish the volatilities in the original format as they are collected for -/+10, -/+25 and +50 in deltas and converted into strikes. The report detailing this study which was reviewed by the Traded Options Committee is available on the LME website. www.lme.com

Impact on LCHC margins

9   LCHC is the clearing house for LME options contracts and has expressed a preference for a simple and operationally robust methodology to apply to their daily margining system. Linear interpolation in strike space will be used by LCHC for generation of volatilities used in the calculation of all variation and initial margins. LCHC will implement the margining of LME options with wing volatilities in Q2 2009, shortly after the Synapse project has gone live. LCHC intend to offer assistance to members in understanding the impact of these changes on margins and will consult with members and the LME on the most suitable way of delivering this information. Please contact Matthew Wade matthew.wade@lchclearnet.com with any questions.

Publication of wing volatilities

10   Once the new IT system of collecting wing volatilities is implemented in March 2009, the Exchange will carry out data integrity checks on the collected

wing volatilities. When the LME is satisfied with the quality of the wing volatilities data, these will be published on the LME website as an interim measure until LCHC has implemented Synapse in June 2009. The Exchange will publish the volatilities in the original format as they are collected for -/+10, -/+25 and +50 in deltas and converted into strikes. The data will be available in a downloadable format on LME's website www.lme.com

JOANNA STUART
Market Surveillance

cc Board directors

LONDON METAL EXCHANGE

To: Category 1 and Category 2 Members

Ref: 08:444 A:427

Date: 18 December 2008

Subject: **INCREASE TO THE LMESELECT ORDER TO TRADE RATIO POLICY**

Following the successful implementation of LMEselect release 6, the LME Executive Committee (Excom) has made the following amendments to the current LMEselect order to trade ratio policy (member notice 06/324 : A320). The amendments will be effective from **Monday 5 January 2009.**

1. Primary Aluminium and Copper Grade A contracts order to trade ratios increased to 20 order actions to 1 trade.
2. The increased order to trade ratio is only valid for transactions between 08.00-18.00 hours London time.

All other metals, plastics, Steel, index, and LMEmini contracts order to trade ratios remain at 12 order actions to 1 trade. Primary Aluminium and Copper Grade A contracts order to trade ratio policy outside of 08.00-18.00 London time remains at 12 order actions to 1 trade.

Members are reminded that the exchange retains the right to restrict or suspend access should the Exchange determine that message usage by any Member becomes capable of impairing the orderly conduct of trading on LMEselect. It's also the responsibility for members who currently offer the facility for clients to order route to LMEselect to ensure they are fully aware of these amendments. Excom will continue to review the policy on a regular basis.

If you have any questions on this matter, please contact the LMEhelpdesk on 0207 488 2500 or by email at lmehelpdesk@lme.com.

Suky Chima
LME Select Operations Manager

cc.   Board directors
       Trading committee

LME-001231

LONDON METAL EXCHANGE

---------From Executive Director: Regulation and Compliance

To: CATEGORY 1, 2 & 3 MEMBERS

Ref: 09/081: A080

Date: 18 February 2009

Subject: **MATCHING PERFORMANCE**

Summary

1   The threshold for identifying members who input trades late into the LME matching system will be reduced from 20% to 15% in respect of trades input during March 2009 and subsequent months.

Background

2   In order to improve members' input performance the Exchange introduced a policy of identifying members whose late performance in inputting trades into the LME matching system was above a certain threshold. The initial identification started with a late-input threshold of 30%. Over time, the plan was to to reduce the threshold to 10%. The identification threshold was reduced to 20% in respect of trades input during November 2007.

3   In response to representations made by members, the Exchange postponed the reduction of the threshold to 10% until further analysis could establish whether that threshold was appropriate. The performance figures for the period 1 October 2008 to 31 January 2009 show that a 15% threshold would be more reasonable than a 10% threshold.

4   With effect from the input performance during March 2009 and subsequent months those members who input 15% or more of their trade late will be identified. The Exchange will also seek to ensure that the results of the input performance are brought to wider attention. Members who have any queries about input performance should contact LME Market Surveillance at market.surveillance@lme.com

Diarmuid O'Hegarty

cc: Board directors

The London Metal Exchange Limited 56 Leadenhall Street London EC3A 2DX
Telephone: +44 (0)20 7264 5555 Fax: +44 (0)20 7680 0505 info@lme.com
www.lme.com
09 081 A080 Matching Performance   LME-001232
A company limited by guarantee. Registered in England no 2128666. Registered office as above.

LONDON METAL EXCHANGE

Alex Morley
General Counsel and Head of Enforcement

Tel: +44 (0)20 7264 5510
Fax: +44 (0)20 7264 5513

To:	Compliance Officers of Category 1, 2, 3 and 4 members of the Exchange
From:	Alex Morley
Date:	20 March 2009
Subject:	**Iranian Aluminium Warrants**
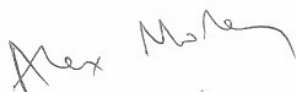
This memorandum is for information purposes only; it does not constitute legal advice and should not be relied on by any person.

1.   IRALCO has been an LME listed primary aluminium brand since 1979. In recent months, a number of members have queried the application of the US Iranian Transactions Regulations ("ITR") to the receipt and disposal by members of IRALCO warrants. Under the system for delivery of LME warrants, it is not possible for a purchaser to receive advance notice or otherwise ensure that it does not receive IRALCO warrants.

2.   Under the ITR, the US Treasury Department's Office of Foreign Assets Control ("OFAC") prohibits the involvement of "US Persons" or US territory in unlicensed dealings, globally, in metals of Iranian origin.

3.   Specifically, the ITR provide that no United States person, wherever located, may engage in any transaction or dealing in or related to prohibited goods or services of Iranian origin or owned or controlled by the Government of Iran. The term "transaction or dealing" in this provision is defined to include "purchasing, selling, transporting, swapping, brokering, approving, financing, facilitating or guaranteeing".

4.   The ITR define US Persons to include:

(a) US citizens and permanent residents, wherever located;
(b) all persons while in the United States; and
(c) entities organized under US law, including their non-US branches, but not their non-US affiliates.

5. The Exchange understands that a member operating outside the United States as a non-US domiciled entity does not constitute a US Person and may deal in Iranian-origin goods without implicating the ITR, except to the extent that such dealings involve US Persons or other US elements.

6. It is, however, possible that a member, especially one that has US affiliates and/or offices, may inadvertently expose US Persons to risk under the ITR to the extent of any involvement by them in the handling of LME warrants for aluminium of Iranian origin, even if they had no knowledge at the time of the metal's origin.

7. The Exchange is not aware of any general exemption under the ITR that would be available in respect of US Person involvement in the handling of LME warrants for Iranian metal. The ITR do, however, provide for the issuance of specific licenses, issued upon request, for "certain commodities trading by a United States person in Iranian-origin goods, or transactions incidental to such trading, where: (1) No party to the transaction with the United States person is a person in Iran or the Government of Iran, and (2) It was impossible for the United States person to determine at the time of entry into the transaction, given all circumstances of the transaction, that the goods would be of Iranian origin or would be owned or controlled by the Government of Iran".

8. The Exchange is aware of at least one LME member who has successfully applied for and received a licence from OFAC in respect of its US Persons handling Iranian-brand aluminium warrants, subject to certain limitations in time and scope.

9. OFAC enforces the ITR under a theory of "strict liability". Whether or not a US Person is aware that it is in breach of the ITR, a non-US Person can be said to cause a violation by knowingly involving the US Person in an ITR-prohibited transaction. For this reason, and because OFAC is on notice of the fact that warrants to Iranian-origin aluminium trade on the LME, members are advised to consider whether they might value a license from OFAC on behalf of their US offices/affiliates and/or US Person employees and independent contractors and to seek legal advice as required.

10. All queries should be addressed to Alex Morley on alex.morley@lme.com or telephone +44 20 7264 5555. The Exchange is able to provide the names of experienced legal counsel to advise on the matter upon request.

Alex Morley
General Counsel & Head of Enforcement

LONDON METAL EXCHANGE

---------From Executive Director: Regulation and Compliance

To: ALL MEMBERS

Ref: 09/231 : R004

Date: 26 May 2009

Subject: **DAILY POSITION AND OTHER REPORTING**

Summary

1   This notice sets out the reporting requirements for LME warrants and for LME registered futures and options positions. It consolidates and replaces LME notices 02/124 and 06/029.

Background

2   In accordance with regulations 9.1 of Part 2 of the LME rules and regulations, Category 1, 2, 3 and 4 members must report to the Exchange all Warrant and trading positions for all customer accounts and all house accounts as at the close of business each business day. These Warrant and position reports must be made electronically and must reach the Exchange by 08:30 on the morning following the date of the report.

3   The Exchange has replaced the previous electronic reporting system (LPRS), which was operated by LCH.Clearnet, with a new daily position reporting system (LMEdprs). Members must now use LMEdprs when making their Warrant and position reports.

4   The reporting threshold for all positions is one lot and, therefore, the algorithm of netting positions over five consecutive prompt dates on a rolling basis set out in notice 02/124 is obsolete.

5   LME notice 98/090, dated 12 March 1998, sets out members' obligations to report to the Exchange market open interest (MOI) figures by 09:00 each business day. Members must use LMEdprs to make their MOI reports to the Exchange.

Members' Accounts to be Reported

6   Category 1, 2, 3 and 4 members must report every single Warrant holding and net LME positions for:

•   Any single proprietary account of a member.

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THE LONDON METAL EXCHANGE LIMITED, 56 LEADENHALL STREET, LONDON EC3A 2DX
Telephone: 44 (0)20 7264 5555 Fax: 44 (0)20 7264 0505 Email: info@lme.co.uk
www.lme.com
A Company Limited By Guarantee. Registered In England No.2128666. registered Office: 56 Leadenhall Street, London EC3A 2DX

LME-001235

- All aggregated proprietary accounts of a member.

- Any client account.

- Any group of associated client accounts (see paragraphs 12 & 19)

7   Each member's proprietary account and client account listed above must be given a code defined by the reporting member that is unique within the member. This code will be referred to as the client code and will be used to relate a member account or client to a reported position.

8   In respect of LME client contracts, the reports must be compiled on the basis of all clients who hold those LME 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 LME registered client contracts.

9   When a position refers to a group of proprietary accounts or a group of clients, then the position of each individual proprietary account or client ie each individual client code, must be reported separately.

10   Net market positions should be reported by contract and prompt date for each of the member accounts or clients described above. Positions should not be reported twice.

11   Members should only supply positions relating to proprietary accounts or client accounts for valid LME prompt dates. If a member has no positions to report then this situation must be notified to the LME market surveillance staff and files must still be submitted each day to distinguish this from a failure to report information.

12   Positions reported by members each morning are those at the close of business on the previous business day. Unmatched trades are not registered positions. Only on-exchange LME registered positions should be reported. OTC positions or LME look-alikes should not be reported nor netted with on-exchange positions.

Reporting of Account Details

13   Each member must supply details of any new or changed client codes, including any new or changed affiliations of the client. Please note that an account code can not be recycled for another account holder. This information must be supplied to LME market surveillance staff **prior** to the reporting of any position which includes these changes. This information should be transmitted to LME market surveillance staff by letter, fax or email (market.surveillance@lme.com) and must be in the format specified below and include:

- The member's code.

- The name of the client or proprietary account.

- The FSA 32 character mnemonic for the client (if known).

- The date on which the change will take effect.

- The current client code being used (if one exists).

- The new client code to be used (if the client code is new or the client code has changed). Do not recycle a code that has been previously used for another client or proprietary account.

- The client code of any affiliated clients and details of the affiliation.

LME Traded Options & TAPOs Reporting

14   Members are required to report, in the Options (OS) file, all Traded Options & TAPOs positions, strike by strike, irrespective of the size of the positions or whether these are puts or calls or longs or shorts. The OS file should not contain deltas or futures offset calculations.

15   For each account holding positions in Traded Options, the undiscounted delta should be calculated and included with the reported futures positions for the third Wednesday Prompt date of the option month in the Futures (LP) file.

16   In the case of TAPOs, **do not** calculate the TAPOs delta and do not net against any existing futures positions.

Warrant Holding Reports

17   Category 1, 2, 3 and 4 members are required to report by, beneficial owner, any holding of LME Warrants of a proprietary nature, those pledged to a third party, or those held on behalf of a client. Warrant holdings are reported in the WH file. Please note that in addition to reporting Warrants in the Warrant holding (WH) file, members must also report their Warrant holdings in the Futures positions (LP) file. Warrant holdings are represented in the LP file where the Prompt date equals to the Report date.

18   When another party has control (rather than possession of) over Warrants, then both the beneficial owner and the controller's names must be disclosed (see paragraph 20 below). This should be achieved by the use of a different client code for the beneficial owner and controller combination when reporting the Warrant holdings.

19   In order to avoid any double counting of Warrants held by one LME member for another:

(a)   Subject to (b) below, each category 1, 2, 3 and 4 member should report any Warrants:

(i)   held by it for its own account;

(ii)   held by it under a financing arrangement;

      (iii)   held by it on behalf of a client; or

      (iv)   held by another person under a financing arrangement which it has with that other person, except where that other person is a category 1, 2, 3 or 4 member.

(b)   Each category 1, 2, 3 and 4 member who is a SWORD member must report Warrants in any of its SWORD accounts, except Warrants which are subject to a remote-participation agreement with a category 1, 2, 3 or 4 member. Each category 1, 2, 3 and 4 member which does not have a SWORD account, must report any Warrants which are subject to a remote-participation agreement it has with a SWORD account-holder.

20   Market Aberrations: The Way Forward issued in October 1998 outlined, in section 13, the LME's policy regarding dominant positions. Section 9 dealt with the connected issue of large positions. In particular, paragraphs 9.5 and 9.6 dealt with types of connected holdings where the LME would aggregate positions. Such connected holdings could include Warrant-financing arrangements. Paragraph 9.5 observed that Warrant-financing can encompass a wide variety of both arrangements and objectives: under some financing arrangements, the relevant Warrants are available to be lent by the party holding the Warrants, but under other arrangements, the Warrants in practice are not readily available to the market. LME notice 01/122, dated 23 March 2001, describes some such arrangements.

21   The LME's purpose in aggregating connected warrant holdings is to reflect the effect on the market that these holdings may have. It is not, in any way, to discourage commercial arrangements for the financing of Warrants.

22   The main principle which will guide the LME in determining whether Warrant holdings are connected is which party effectively controls the availability of those Warrants to the market. If effective control of the Warrants is with a party other than the party holding the Warrants, the LME will aggregate those Warrants with all other holdings of the party in control of the Warrants in question.

23   There are a number of ways in which a person can achieve effective control of Warrants held by another. The LME's concern is not so much with the mechanism but with the result. The relevant characteristics are:

(a)   the holder of Warrants has an obligation such that he 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.

24   The LME requires members to inform the LME compliance department of arrangements to which they are parties where they or their counterparties/customers do not hold but have effective control over Warrants. Such notification should be at the start of such an arrangement and should indicate for how long the arrangement

is expected to last. The member should also notify the LME when the arrangement ends. A member with effective control over Warrants, held by another member, should not report such Warrants in its daily Warrant position reports. Daily reporting continues to fall to the member holding the Warrants. This section clarifies the obligation of members to disclose connected holdings, which was set out in paragraph 9.6 of the Market Aberrations document.

25   Where the LME has reason to believe that a person's degree of control is sufficient to require the controlled Warrants to be aggregated with any other Warrants held by or to his order, the LME will notify that person. The result of such notification will be that the total number of Warrants will be counted towards that person's Warrant holdings, cash today and cash positions, for the purposes of the lending guidance set out in paragraph 13.24 of the Market Aberrations document.

26   Members holding Warrants under a financing arrangement should continue to report those Warrants. In addition, however, Warrants which are held against an obligation having the characteristics set out in paragraph 23 above should be separately identified as such, together with the identity of the party to whom the obligation is owed. This will prevent the lending obligations being incorrectly placed on the holder of the Warrants and allow the LME to aggregate holdings properly.

27   Positions for the same metal and prompt date held in each account should be netted off across all LME cleared currencies.

28   The positions of groups of clients or proprietary accounts that are reportable should be reported by client code ie each client or proprietary account should be reported separately, not as a group aggregated position.

29   Any reportable position must only be reported once, even if it contributes to more than one position ie if a client has a reportable position on a specific prompt date and is part of a group that has a reportable position on the same prompt date for the same metal then the client's position on that prompt date, for that metal should only be reported once.

Groups and Affiliates

30   Please note that "any group of associated client accounts" should include groups consisting of an affiliate's accounts together with those belonging to the member. This should include accounts which are subject to common control or a common trading advisor or strategy to the best of the member's knowledge. CTAs who have power of attorney to commit trades to the accounts of the funds which they manage would fall within this description.

Reporting Procedure

31   Category 1, 2, 3 and 4 members must submit to the LME market surveillance team the required reports using LMEdprs as a reporting tool for each client and each proprietary position, identified by their account codes, by 08:30 (Market Open Interest by 09:00) each business day.

32   Each member must submit in advance to the LME market surveillance team under separate cover, a list of account names, which refer to the account codes in the reported files and will submit amendments to the list whenever necessary in good time. Members may email the information to market.surveillance@lme.com The daily Warrant and position reports and the account code lists are available only to the LME compliance department staff.
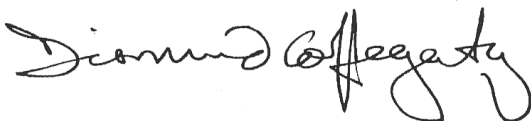
33   Details on how to connect to LMEdprs are in Schedule 1 of LME notice 09/182 : A178 and the file format of the electronic reports must conform to the latest version of the "LMEdprs Member specification document" which can be downloaded from the LME projects website www.LMEprojects.net Members should also refer to LME notice 09/229 : A 225.

34   Members should log a call with the LME helpdesk (020 7488 2500) when they have problems connecting to LME systems. If a member anticipates that it will not be able to meet the reporting deadline, it should inform the LME compliance department immediately by phone or by email to market.surveillance@lme.com

35   Members who have to re-submit their data files after the reporting deadline in order to correct errors in their reports must notify Market Surveillance staff of all re-submissions. Members who automate their file submissions to be sent overnight should check their report status for transmission or validation error messages well before the reporting deadline to ensure that they can correct and re-submit their reports correctly to the LME by the required deadlines.

36   Members' compliance with Warrant and position reporting requirements will be subject to audit by the LME compliance department. While members may delegate the calculation and transmission of their daily position and Warrant holding reports to third parties, they retain the responsibility for the accuracy of the data. Therefore, members are reminded that they should conduct sufficient testing of systems and control procedures used to report to the Exchange to ensure that the information reported is accurate.

37   Members are reminded that Warrant and position reports are essential for the Exchange to monitor LME markets and failure by members to report timely and accurately is a serious matter. Significant or persistent breaches of these reporting requirements will be considered to be a disciplinary offence and members who are found to be in violation of the requirements may be subject to the Exchange's disciplinary process.

Diarmuid O'Hegarty

cc: Board directors

LONDON METAL EXCHANGE

To: ALL MEMBERS

Ref: 09/328 : A321 : R008

Date: 28 August 2009

Subject: **CONSOLIDATED MATCHING RULES FOR LMEsmart**

Summary

1   The **LME SYSTEM FOR MATCHING AND REGISTERING TRADES ('LMEsmart')** became operational on 27 July 2009. As a consequence, amendments are required to the LME notices governing trade input and matching. This notice consolidates and replaces the LME notices listed in section 1.

Background

2   Following the implementation of LMEsmart there will be a transition period during which time members will migrate from the current Matching and Clearing System ("MCS") to the new matching service in a staged approach. Throughout the migration period, members who have not migrated to LMEsmart will continue to route trade halves and crosses via MCS, while other members who have migrated will route trade halves and crosses via LMEsmart. **It is important to note that <u>all members</u> will be impacted by the implementation of LMEsmart.**

Implementation of Amendments

3   Once a member commences the input of trades into LMEsmart the rules contained in this notice will apply to that member. The rules set out in the notices listed in Section 1 will continue to apply to those members who have not migrated to LMEsmart.

4   Once all members have migrated to LMEsmart, the LME will issue a notice advising the date on which the current Matching and Clearing System ("MCS") will no longer be available for trade matching.

**Gillian Hampson
Head of Member Surveillance**

cc: Board directors

CONSOLIDATED MATCHING RULES

CONTENTS

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LIST OF NOTICES THAT THIS NOTICE CONSOLIDATES AND REPLACES

1   <u>For all members that have made the transition to LMEsmart</u> from the Matching and Clearing System ("MCS") this Notice consolidates and replaces rules in Notices:-

        01/402: A402: R011   (Rules for the use of Trade Types for the LME Matching and Clearing System);

        01/232: A232: R07   (Rules on the Movement of LME Positions);

        02/150: A150: R015   (Matching Periods for and Trade Times of Trades Entered into the LME Matching and Clearing System);

        05/002: A002   (Matching of Trades for Non LME Business days);

        08/126: A122   (Revised Matching Deadlines with the Introduction of the LME Steel Contract); and

        08/155: A150: R012   (Compulsory Use of Short Codes for Matching).

2   The above mentioned Notices will continue to apply to members matching trades using MCS until that system is no longer available for trade matching purposes.

GENERAL INFORMATION ABOUT LMEsmart

1   LMEsmart uses Trade Categories rather than Trade Type mnemonics to identify different types of LME transactions. The 14 Trade Categories are used in conjunction with new trade entry fields of Price Type, Venue, and 4-Way Agreement, to define particular trades. The use of Trade Categories applies to transactions in Future Outright trades, Future Carry trades, Option trades and TAPO trades executed in the rings or kerbs, in the telephone market, over LMEselect, or in the OTC market that are subsequently brought On-Exchange.

2   Use of the 14 Trade Categories listed below is explained in detail in Section 4 of this Notice:

- NORMAL
- GIVE UP EXECUTOR
- GIVE UP CLEARER
- MEMBER CLEARING
- OTC BRING ON
- OTC TAKE OFF
- TRANSFER SEND
- TRANSFER RECEIVE
- REVERSAL
- CORRECTION
- HISTORIC PRICE CARRY
- OPTION EXPIRY FUTURE
- EXCEPTION
- CAPS

3   LMEsmart is available for trade input from 06:00 until 20:00. Requests for extensions to the 13:30 matching deadline for Tom trades must be made to LME Matching Operations by 13:15. Extensions to the 20:00 trade input deadline will only be granted in extreme circumstances and must be made to LME Matching Operations by 19:45 (email: lmematching@lme.com; Tel. +44 (0)20 7488 2500). Full details of the LMEsmart operating hours are contained in the LMEsmart Member Operating Guide.

4   Exchange trade halves that match in LMEsmart from 06:00 will be transmitted to LCH.Clearnet for clearing as soon as the LCH Gateway (LCH G/W) opens. Similarly client contracts registered in LMEsmart for the segregated sub account from 06:00 will be transmitted to LCH.Clearnet for registration as soon as the LCH G/W opens. Exchange contracts and segregated client contracts that have been successfully received by LCH.Clearnet will have an LMEsmart trade status of "CT" –

Cleared Trade. Non Segregated client contracts may be registered in LMEsmart from 06:00 These trades will be retained in the system and will have an LMEsmart status of "NC" – Not To Clearing.

5   LMEselect trades executed from 01:00 will be held in a queue in LMEselect until the LMEsmart Select G/W opens. LMEselect trades are matched automatically in LMEsmart and transmitted to LCH.Clearnet for clearing as soon the LCH G/W opens.

6   The traded price or premium and lot size of all trades transmitted by LMEsmart to LCH.Clearnet for registration are validated against a price or premium range and lots limit file in MCS. Matched trades that fail validation at LCH.Clearnet will show as Suspended Trades in LMEsmart and will have a trade status "MR – Matched and Rejected". Trades that remain in LCH suspension at the close of LMEsmart trade input will be deemed to be "Abandoned" in LMEsmart and the trade status will be set to "AB". Members may re-enter these as new trades on the next business day.

7   For a full explanation of all LMEsmart trade statuses please refer to Trade Status Flows Through LMEsmart 10/08/2008.

PARALLEL RUNNING OF LMEsmart AND MCS

1   Following the implementation of LMEsmart there will be a transition period during which time members will migrate from MCS to the new matching service in a staged approach. Throughout the migration period, members will be routing trade halves and crosses via MCS, while other members who have cut over to the new matching service, will route trade halves and crosses via LMEsmart. **It is important to note that <u>all members</u> will be impacted by the implementation of LMEsmart**.

2   During the parallel run when members are inputting trades to both systems, the matching rules in this Notice will apply to all trades submitted using LMEsmart while the Rules and Notices listed in Section 1 will continue to apply to all trades submitted using MCS.

3   Once a member commences the inputting of trades to LMEsmart it must cease trade input to MCS unless it receives the prior written consent of the LME (LMEMatching@lme.com; Tel. 020 7488 2500). Option declaration remains a clearing function and members must continue to use their MCS terminal to perform this operation.

4   Upon MCS ceasing to be operational, the current (unamended) matching rules listed in Section 1 will cease to apply. The Exchange will issue a Notice advising the date on which MCS will cease to be operational for matching purposes.

5   LMEsmart has been designed to ensure that during the period of parallel running of LMEsmart and MCS, trade halves entered into MCS will match with those entered via LMEsmart; the systems will be fully synchronised with the exceptions mentioned in paragraph 13 below.

6   Members who continue to input trade halves into MCS following LMEsmart member go-live must ensure accuracy in recording and entering trade execution times (Regulation 3.13.1 (h) of Part 3 of the LME Rule Book). LMEsmart has a number of trade entry validations that will result in MCS trade halves being rejected at the entry point into LMEsmart, for example any MCS submission that contains a future time in the trade time field will be rejected by LMEsmart and parallel matching cannot occur. Members will be required to delete and re-input <u>unmatched</u> trade halves in MCS if they have been input with a trade time that is a future time.

7   Trades entered into LMEsmart will translate into MCS trades according to the full Trade Categories to Trade Types Mapping Table shown in Appendix A. **During the transition period, members migrating to LMEsmart must strictly adhere to the combinations of Trade Categories and trade entry fields shown in the mapping table extract below in order to achieve a match with an MCS counterparty.**

8   Members who have migrated to LMEsmart must follow the current MCS methodology when submitting carry trade halves to the system in that the **basis leg must be entered first regardless of the prompt date order of the trade legs.**

Members failing to observe this trade entry protocol will fail to achieve a match with an MCS counterparty in LMEsmart.

9   Extract from Trade Categories to Trade Types Mapping Table

LMEsmart Trade Category	LMEsmart Price Type	LMEsmart Venue	4-Way Agreement	Time Format	MCS Trade Type (Exchange)
NORMAL	CURRENT	TELEPHONE	NO	HH:MM	DD
NORMAL	CURRENT	RING	NO	R* or K*	DD
NORMAL	CURRENT	BASIS RING	NO	C* or D*	DD
NORMAL	CURRENT	SELECT	NO	HH:MM	BB
NORMAL	AVERAGE	TELEPHONE	NO	HH:MM	AD
NORMAL	AVERAGE	RING	NO	R* or K*	AD
NORMAL	AVERAGE	BASIS RING	NO	C* or D*	AD
GIVE-UP EXECUTOR	CURRENT	TELEPHONE	NO	HH:MM	GD
GIVE-UP EXECUTOR	AVERAGE	TELEPHONE	NO	HH:MM	GA
GIVE-UP EXECUTOR	AVERAGE	OTC	NO	HH:MM	GV
GIVE-UP EXECUTOR	HISTORIC	TELEPHONE	NO	HH:MM	GL
GIVE-UP CLEARER	CURRENT	TELEPHONE	NO	HH:MM	UD
GIVE-UP CLEARER	AVERAGE	TELEPHONE	NO	HH:MM	UA
GIVE-UP CLEARER	AVERAGE	OTC	NO	HH:MM	UV
GIVE-UP CLEARER	HISTORIC	TELEPHONE	NO	HH:MM	UL
MEMBER CLEARING	CURRENT	TELEPHONE	NO	HH:MM	CS
MEMBER CLEARING	HISTORIC	OTC	NO	HH:MM	OS
OPTION EXPIRY FUTURE	HISTORIC	TELEPHONE	NO	HH:MM	ZD
REVERSAL	CURRENT	TELEPHONE	NO	HH:MM	CR
REVERSAL	CURRENT	RING	NO	R* or K*	CR
REVERSAL	CURRENT	BASIS RING	NO	C* or D*	CR
CORRECTION	CURRENT	TELEPHONE	NO	HH:MM	CT
CORRECTION	CURRENT	RING	NO	R* or K*	CT
CORRECTION	CURRENT	BASIS RING	NO	C* or D*	CT
EXCEPTION	HISTORIC	TELEPHONE	NO	HH:MM	OD
OTC BRING ON	AVERAGE	OTC	NO	HH:MM	AV
OTC BRING ON	HISTORIC	OTC	NO	HH:MM	EE
TRANSFER SEND	HISTORIC	TELEPHONE	NO	HH:MM	TT
TRANSFER RECEIVE	HISTORIC	TELEPHONE	NO	HH:MM	FF
TRANSFER SEND	HISTORIC	TELEPHONE	YES	HH:MM	MS
TRANSFER RECEIVE	HISTORIC	TELEPHONE	YES	HH:MM	MS
CAPS	CURRENT	OTC	NO	HH:MM	SW

10   Members who have migrated to LMEsmart may use all the valid combinations of Trade Categories and trade entry fields shown in the full Trade Categories to Trade Types Mapping Table in Appendix A when registering their **client contracts** (as there is no concept of having to create a match with an MCS counterparty during the migration period).

11   A Metal Position Swap ("MS") is the movement of an On-Exchange hedge between two physical users of metal, i.e. the movement of an LME position for a non common customer. The **MS** trade type mnemonic will be **disabled** in MCS at LMEsmart member go-live.   Members wishing to transact a metal swap with a market counterparty must complete the standard four-way agreement in accordance with LME Rules and then process the transaction using the TT or FF trade type mnemonic depending on the direction of the movement.   Members may utilise the private reference field to identify the transaction as a metal swap.   Members are reminded that the public reference field (PRF) is a mandatory matching field for the TT and FF Trade Types. A code identifying the client receiving the LME position (FF trade half) must be agreed and recorded in the PRF in MCS by both members.

12   The SA trade type has not been mapped in LMEsmart because sub account combinations N:C and C:N are **NOT** valid entries. The client sub account "N" – non segregated or "C" – segregated must always be against "H" - house when registering a client contract in LMEsmart.

13   Members continuing to use the SA trade type in MCS following LMEsmart member go-live will **not see** these entries mirrored in LMEsmart as they will not be accepted into the system. Members currently utilising the SA trade type to signify the movement of a position into or out of the segregated account at LCH.Clearnet will need to follow a new procedure following LMEsmart member go-live in order to achieve parallel matching in both systems.

Alternative MCS procedure for the SA Trade Type during the parallel run

14   Members may continue to use the SA trade type following LMEsmart member go-live, but to achieve full parallel matching in both systems; members should follow the procedure set out in paragraphs 17-19 below.

15   Exchange contracts may only be booked into or out of a member's house account at LCH.Clearnet. Any movement into or out of a member's segregated client account at LCH.Clearnet must be reflected by the registration of a client cross involving the segregated account in MCS. This is currently achieved by the registration of a client cross between the member's house – "H" or non segregated client account - "N" and segregated – "C" accounts using the SA trade type mnemonic.

16   For transfers, clearing switches and the receipt of off-Exchange switch trades, there is normally no requirement for either member involved to register a Client Contract. However, if the position is held or will be received into the member's segregated client account, a cross must be registered to signify the movement of the position between the house and segregated account prior to remitting, or subsequent to receiving, a segregated position to/from another member.

17   When transferring a position out of the segregated account at LCH.Clearnet, members must register a client cross using the **CR** trade type mnemonic, sub accounts H:C or C:H, in order to reverse the position rather than the SA trade type.

18   When a member receives a position from another member that is destined for a segregated client, the position that is created in the house account of the receiving

member must be moved to the member's segregated account. This is achieved by registering a client cross, sub accounts H:C or C:H, using the **DO** trade type mnemonic in MCS.

19   When effecting a clearing switch, members must move the position from the segregated sub account into their house account by registering a client cross using the **CR** trade type mnemonic in MCS rather than registering an SA trade type.

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LMEsmart TRADE CATEGORIES

1   LMEsmart uses Trade Categories in conjunction with trade entry fields to identify different types of LME transactions.   This guidance sets out the Trade Categories and trade entry fields to be used when entering trades into LMEsmart.

2   There are two types of LME Contract: An Exchange Contract which is a contract between two clearing members, and a Client Contract which is a contract between an LME clearing member and any other person other than another clearing member or a contract between an Associate Broker member and another person.

3   The following table sets out the Trade Categories that apply to Exchange Contracts only, those that apply to Client Contracts only, and those that apply to both.

LMEsmart Trade Category	LME Exchange Contract	LME Client Contract
NORMAL	Yes	Yes
GIVE-UP EXECUTOR	Yes	No
GIVE-UP CLEARER	Yes	Yes
MEMBER CLEARING	Yes	No
HISTORIC PRICE CARRY	No	Yes
OPTION EXPIRY FUTURE	Yes	Yes
REVERSAL	Yes	Yes
CORRECTION	Yes	Yes
EXCEPTION	Yes	Yes
OTC BRING ON	Yes	Yes
OTC TAKE OFF	No	Yes
TRANSFER SEND	Yes	No
TRANSFER RECEIVE	Yes	No
CAPS	Yes	No

4   The 14 Trade Categories listed above are used in conjunction with new trade entry fields of Price Type, Venue, and 4-Way Agreement, to define particular trades. Trade Category is a matching field in LMEsmart.

5   The Price Type entry field can be populated by "Current", "Average" or "Historic" but not all are valid for each Trade Category. Price Type is a matching field in LMEsmart.

6   The "Current" price type is used to record transactions executed at current market prices and input into LMEsmart on the day of trade (TD) or on trade date plus one (TD+1).

7   The "Average" price type is used to record trades executed at different prices, for the same prompt date on the same business date, which are then netted together to form one entry at an aggregate price in LMEsmart **AND** trades executed at one average price over a number of different prompt dates, either as a series of outright trades (a "strip"), or as a carry trade. In both cases, a full audit trail must be maintained in order to demonstrate the derivation of the final price. The "Average" price type can only be used to record transactions in LMEsmart on the day of trade (TD) or on trade date plus one (TD+1).

8   The "Historic" price type is used to record transactions in LMEsmart where the trade date is two or more business days old, for example a transaction that is not entered into LMEsmart on (TD) or (TD+1) using the "Current" or "Average" Price Type must be recorded as "Historic" (this ensures that these transactions are not eligible for dissemination on the live post trade transparency feed). Members wishing to input a trade with an average, historic price should use the "Historic" price type.

9   The Venue entry field denotes where the price discovery of a trade occurred and can be populated with "Ring", "Basis Ring", "Telephone", "Select", and "OTC". Trades entered into LMEsmart with the Venue field identified as "Ring" must have a short time code "R" or "K" entered in the Trade Time field. Trades entered into LMEsmart with the Venue field identified as "Basis Ring" must have a short time code "C" or "D" entered in the Trade Time field. Trades executed behind the Ring and in the telephone market must be entered into LMEsmart with the Venue field identified as "Telephone".

10   Trades that are executed in LMEselect will be matched automatically in LMEsmart and will have the Venue field identified as "Select". Client trades that result from order-routing into LMEselect must be entered into LMEsmart with the Venue field identified as "Select" (this applies to client trades where back-to-back Exchange contracts are generated **AND** client trades that cross in LMEselect creating volume but no Exchange contract). Order-routed client trades that are subsequently adjusted and/or given-up in the telephone market must be entered into LMEsmart with the Venue field identified as "Telephone". Give-up trades cannot have "Select" as the Venue in LMEsmart.

11   In the event that members are required to manually match a member to member trade executed in LMEselect, the Exchange contract entered into LMEsmart must have the Venue field identified as "Select".

12   In the event that a trade executed in LMEselect requires an adjustment as a result of Lending Guidance, members must follow the procedure set out in LME Notice 05/377 : A370 : R016 Lending Guidance for LME Metals. The LMEselect trade must be reversed in LMEsmart using the **REVERSAL** Trade Category and the new adjusted trade entered using the **NORMAL** Trade Category. For both the **REVERSAL** and **NORMAL** entries, the Price Type must be identified as "Current" and the Venue as "Telephone".

13   Trades where the price discovery occurs in the OTC market must be entered into LMEsmart using the appropriate Trade Category and the Venue field identified as "OTC". The OTC Venue will apply to, for example, OTC switches, OTC to On-Exchange transactions, Cleared Average Price Contracts (CAPS), and the fixed and floating legs of Average Price Contracts. The Venue field is a matching field in LMEsmart. Subsequent corrections to these transactions occur On-Exchange and therefore "OTC" is not a valid selection for the **REVERSAL** and **CORRECTION** Trade Categories.

14   The 4-Way Agreement entry field applies to Metal Swap transactions only and reflects the regulatory requirement to have a 4-Way Agreement in place prior to entering into such a transaction. Metal Swaps are processed using the **TRANSFER SEND/TRANSFER RECEIVE** Trade Categories in LMEsmart with the 4-Way Agreement entry field set to "Yes". The default setting for regular **TRANSFER SEND/TRANSFER RECEIVE** entries in LMEsmart is "No". The 4-Way Agreement trade entry field is a matching field in LMEsmart.

15   The Volatility entry field in LMEsmart is an optional entry field and is therefore NOT a matching field. This trade entry field is for use with traded options and TAPOs. Where the volatility of an option/TAPO is recorded as part of the audit trail of a transaction, members are requested to submit this information in the Volatility, ("Vol"), field in LMEsmart.

16   The Customer ID field, ("Cust"), in LMEsmart is a mandatory entry field for LME Client Contracts. Members are required to enter the same codes in LMEsmart as used to identify their customers in the Daily Position Reporting System (DPRS). Where a DPRS code covers a number of sub accounts within a member's back office system, these sub accounts may be submitted in the Customer ID field in LMEsmart. Members must be able to demonstrate that these sub accounts are grouped together under a DPRS code for reporting purposes if required to do so.

TRADE CATEGORY - NORMAL

17   The **NORMAL** Trade Category is used to enter current market price trades executed on the Ring, basis the Ring, in the telephone market or via LMEselect. The following table sets out the valid combinations of Price Type and Venue that can be used in conjunction with the **NORMAL** Trade Category in LMEsmart.

18   The **NORMAL** Trade Category is also used when members are required to manually match a member to member trade executed in LMEselect or when adjusting trades executed in LMEselect following the application of the Lending Guidance.

Trade Category	Price Type	Venue	4-Way Agreement	Time Format	Exchange Contract	Client Contract
NORMAL	CURRENT	TELEPHONE	NO	HH:MM	Yes	Yes
NORMAL	CURRENT	RING	NO	R* or K*	Yes	No
NORMAL	CURRENT	BASIS RING	NO	C* or D*	Yes	Yes

NORMAL	CURRENT	SELECT	NO	HH:MM	Yes	Yes
NORMAL	AVERAGE	TELEPHONE	NO	HH:MM	Yes	Yes
NORMAL	AVERAGE	RING	NO	R* or K*	Yes	No
NORMAL	AVERAGE	BASIS RING	NO	C* or D*	Yes	Yes

19   The table above shows valid combinations of trade entry fields for the **NORMAL** Trade Category in LMEsmart. Price Type, Venue and 4-Way Agreement are matching fields. If the time of trade is expressed as a time code (R*, K*, C*, D*), then this field is also a matching field in LMEsmart. The combinations of Price Type, Venue, 4-Way Agreement, and trade time format shown above are all valid for the member migration period in LMEsmart.

TRADE CATEGORIES - GIVE UP EXECUTOR AND GIVE UP CLEARER

20   A give-up is a trade executed by one member, the LME Executor, that is given up to another member, the LME Clearer, for the account of a common customer. The LME Executor must enter his trade half using the **GIVE-UP EXECUTOR** Trade Category and the LME Clearer must enter his trade half using the **GIVE-UP CLEARER** Trade Category. A **GIVE UP EXECUTOR** trade half can only match with a **GIVE UP CLEARER** trade half. Following matching, the LME Clearer must register the client contract using the **GIVE-UP CLEARER** Trade Category using the same trade details as the Exchange Contract. The volume of Client Contracts allocated must equal the volume given up to the LME Clearer. Give-up trades should be registered on Trade Date (TD) and Trade Date plus one (TD+1) using the "Current" Price Type. Trades registered after TD+1 using the "Current" Price Type will be rejected by LCH.Clearnet.

21   Give-ups registered in LMEsmart after (TD+1) must be entered using the "Historic" Price Type and are referred to as late give-ups. Members are **NOT** required to seek the permission of the LME Member Surveillance Department prior to matching a late give-up, but each must maintain a full audit trail and be able to explain, if required to do so, why the trade(s) were not processed on (TD) or (TD+1).

22   The Venue field for give-ups in LMEsmart will be "Telephone" or "OTC" for Average Price Contracts brought On-Exchange and then given-up. Give-up trades cannot have "Select" as the Venue in LMEsmart.

23   The following criteria apply to all give-ups registered using LMEsmart:

a)   A fully executed give-up agreement must be in place before the trade is executed. All clients that may be allocated trades under the give-up arrangement must be included in the agreement or in an addendum to the agreement. Clients may be included in the form of codes or account numbers. Members must be able to demonstrate how a client code or account number relates to a particular agreement if required to do so. For each client code or

account number, the clearing member must be able to provide the identity of the underlying customer.

b) The Trade Date is the date of execution of the trade.

c) The Price Type is "Current" or "Average" (for average or amalgamated price trades) for trades entered on (TD) and (TD+1).

d) The Price Type is "Historic" for trades entered on (TD+2) etc.

e) The Venue is "Telephone" unless the original price discovery was made in the OTC market in which case the Venue is "OTC". Give-up trades cannot have "Select" as the Venue.

f) A reference code identifying the customer on a give-up agreement must be agreed between the LME Executor and the LME Clearer and entered into the Public Reference Field (PFR) in LMEsmart. The PFR can accept up to 12 characters; the first 5 characters constitute a matching field.

g) Category 3 members cannot execute give-ups.

24 The table below shows valid combinations of trade entry fields for the **GIVE UP EXECUTOR** and **GIVE UP CLEARER** Trade Categories in LMEsmart. The combinations of Price Type, Venue, and 4-Way Agreement highlighted in green are the valid combinations for the member migration period in LMEsmart. Following full member migration, other combinations of Price Type and Venue will be valid for use with the **GIVE UP EXECUTOR** and **GIVE UP CLEARER** Trade Categories.

Trade Category	Price Type	Venue	4-Way Agreement	Time Format	Exchange Contract	Client Contract
GIVE-UP EXECUTOR	CURRENT	TELEPHONE	NO	HH:MM	Yes	No
GIVE-UP EXECUTOR	CURRENT	OTC	NO	HH:MM	Yes	No
GIVE-UP EXECUTOR	AVERAGE	TELEPHONE	NO	HH:MM	Yes	No
GIVE-UP EXECUTOR	AVERAGE	OTC	NO	HH:MM	Yes	No
GIVE-UP EXECUTOR	HISTORIC	TELEPHONE	NO	HH:MM	Yes	No
GIVE-UP EXECUTOR	HISTORIC	OTC	NO	HH:MM	Yes	No
GIVE-UP CLEARER	CURRENT	TELEPHONE	NO	HH:MM	Yes	Yes
GIVE-UP CLEARER	CURRENT	OTC	NO	HH:MM	Yes	Yes

GIVE-UP CLEARER	AVERAGE	TELEPHONE	NO	HH:MM	Yes	Yes
GIVE-UP CLEARER	AVERAGE	OTC	NO	HH:MM	Yes	Yes
GIVE-UP CLEARER	HISTORIC	TELEPHONE	NO	HH:MM	Yes	Yes
GIVE-UP CLEARER	HISTORIC	OTC	NO	HH:MM	Yes	Yes

TRADE CATEGORY - MEMBER CLEARING

25   The **MEMBER CLEARING** Trade Category is used for entering Clearing Switches and OTC Switches in LMEsmart.

26   Clearing switches are entered using the **MEMBER CLEARING** Trade Category with the Price Type and Venue fields identified as "Current" and "Telephone" respectively for the member migration period.

27   OTC Switches are entered into LMEsmart using the **MEMBER CLEARING** Trade Category with the Price Type and Venue fields set to "Historic" and "OTC" respectively for the member migration period.

28   Following full member migration, other combinations of Price Type and Venue will be valid for use with the **MEMBER CLEARING** Trade Category.

29   The first 5 characters in the 12 character Public Reference Field, (PRF), constitute a mandatory matching field in LMEsmart for the **MEMBER CLEARING** Trade Category and a reference must be agreed by both members to identify the common customer.

30   Transactions utilising the **MEMBER CLEARING** Trade Category may only be booked into the member's House account at LCH.Clearnet. For Clearing Switches and OTC Switches there is normally no requirement for either member involved in the Exchange Contract to register a Client Contract. However, if the position being cleared is held in a member's segregated Client account at LCH.Clearnet, a Client Contract must be registered to signify the movement of the position between the House and Client account prior to effecting the **MEMBER CLEARING** transaction.

31   When registering a Clearing Switch or OTC Switch for a segregated customer where a Client Contract has previously been registered utilising the segregated sub account ("C"), the member must first reverse the position out of the segregated sub account by registering a Client Contract using the **REVERSAL** Trade Category in LMEsmart. This will move the position from the segregated sub account ("C") to the House Account ("H") of the member. The **MEMBER CLEARING** transaction can then be registered.

32   For members who do not utilise the Client account at LCH.Clearnet as a method for providing segregation of client funds, there is no requirement to register a Client Contract when effecting a **MEMBER CLEARING** transaction.

33   The **MEMBER CLEARING** transaction must not be carried out in order to avoid or evade other LME Rules, including Rules relating to give-ups.

34   Members must maintain a full audit trail for all **MEMBER CLEARING** transactions.

35   As Category 3 members cannot issue LME Client Contracts they must not enter any **MEMBER CLEARING** Trade Category transactions in LMEsmart.

36   The table below shows valid combinations of trade entry fields for the **MEMBER CLEARING** Trade Category in LMEsmart. The combinations of Price Type, Venue, and 4-Way Agreement highlighted in green are the valid combinations for the member migration period in LMEsmart.

Trade Category	Price Type	Venue	4-Way Agreement	Time Format	Exchange Contract	Client Contract
MEMBER CLEARING	CURRENT	TELEPHONE	NO	HH:MM	Yes	No
MEMBER CLEARING	CURRENT	OTC	NO	HH:MM	Yes	No
MEMBER CLEARING	AVERAGE	TELEPHONE	NO	HH:MM	Yes	No
MEMBER CLEARING	AVERAGE	OTC	NO	HH:MM	Yes	No
MEMBER CLEARING	HISTORIC	TELEPHONE	NO	HH:MM	Yes	No
MEMBER CLEARING	HISTORIC	OTC	NO	HH:MM	Yes	No

Clearing Switches and the MEMBER CLEARING Trade Category

37   Clearing Switches are transactions where <u>existing</u> On-Exchange customer positions are switched between members for the purpose of reducing or consolidating a **common customer's** delivery exposure for the Cash Today ("TOM") or Cash prompt date.

38   Clearing switches are entered using the **MEMBER CLEARING** Trade Category with the Price Type and Venue fields identified as "Current" and "Telephone" respectively for the member migration period.

39   Before entering into a Clearing Switch, the client must have one or more LME registered Client Contracts which have been recorded as such in both LMEsmart

and in the member's trading and financial records. The relevant LME registered Client Contracts must have been entered into LMEsmart no later than the business day before the Clearing Switch transaction is made.

40   The only exception to the above will be when a customer, for legitimate commercial reasons, wishes to trade on the "Cash" or "TOM" prompt dates at the Official Settlement or current market price for the relevant prompt date in order to rationalise his delivery commitments i.e. there is no pre-existing LME position. Following execution and registration in the usual manner, these trades may then be included as part of a Clearing Switch transaction. If the Client Contract is for a segregated customer, the procedure set out in 31 above must be followed. Members should retain sufficient records to demonstrate that the "TOM" or "Cash" trade took place prior to registering the Clearing Switch transaction(s).

41   In order to register a Clearing Switch transaction, the following additional conditions apply:

a)   Clearing Switches cannot be entered into LMEsmart more than two business days before the relevant prompt date.

b)   The positions must be for the "Cash" or "TOM" prompt date.

c)   Clearing Switches must be priced at the Official Settlement Price for the relevant prompt date.

d)   Clearing Switches must be recorded for the account of the same customer in the books and financial records of the members involved.

e)   A member must have suitable procedures in place to verify that it can allow or accept a Clearing Switch transaction.

f)   Clearing Switches must be matched using the Official Settlement price for the relevant prompt date with the time of transaction and matching deadline being in accordance with the requirements for "TOM" trades given in the Matching Deadlines section of this Notice.

OTC Switches and the MEMBER CLEARING Trade Category

42   OTC Switches are transactions where an existing On-Exchange position at one LME member can be offset with an OTC position at another LME member for a common customer, or where an OTC position at one LME member can be offset with an existing On-Exchange position at another LME member for a common customer.

43   OTC Switches are entered into LMEsmart using the **MEMBER CLEARING** Trade Category with the Price Type and Venue fields set to "Historic" and "OTC" respectively for the member migration period.

44   Where a client wishes to offset an existing On-Exchange position at one LME member with an OTC position at another LME member, the OTC position must first be brought On-Exchange using the **OTC BRING ON** Trade Category. The position can then be switched between members using the **MEMBER CLEARING** Trade

Category. The pricing basis, trade date, prompt date and tonnage should be the same for the **OTC BRING ON** and **MEMBER CLEARING** transactions.

45 Where a client wishes to offset an OTC position at one LME member with an <u>existing</u> On-Exchange position at another LME member, the position must first be switched between members using the **MEMBER CLEARING** Trade Category, and then the member with the OTC commitment must take the LME switch Off-Exchange using the **OTC TAKE OFF** Trade Category. The pricing basis, trade date, prompt date and tonnage should be the same for the **MEMBER CLEARING** and **OTC TAKE OFF** transactions.

46 In order to register an OTC Switch transaction, the following additional conditions apply:

a) The **common** customer has an existing On-Exchange commitment with one member i.e. both sides cannot bring contracts On-Exchange.

b) The circumstances surrounding the contract being brought On-Exchange prior to the OTC Switch being registered justify the use of this procedure. Members are reminded of their duty not to create disorderly markets i.e. the economic effect on the market of the transaction(s) should be neutral or immaterial.

c) For each contract brought On-Exchange, the member must be able to provide full details of the relevant OTC commitments. The member must be able to demonstrate that the price used for the OTC client contract was a market price at the time the OTC contract was created. The LME Client Contract, registered using the **OTC BRING ON** Trade Category, must be for the same commitment and customer as the original OTC contract.

d) In both cases, it is the responsibility of the member holding the client's OTC commitment to inform the counterparty member that this mechanism should be used.

e) OTC Switches may be priced at the original (OTC) contract price, current market price (usually the Closing Price for the relevant prompt date), or the Official Settlement Price if the position is for the "Cash" or "TOM" prompt date. **N.B.** until full member migration is achieved, members must <u>process</u> OTC Switches in LMEsmart using the "Historic" Price Type.

f) Members may average or amalgamate prices for OTC Switches 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 average/amalgamate different pricing bases. **N.B.** until full member migration is achieved, members must <u>process</u> OTC Switches in LMEsmart using the "Historic" Price Type.

TRADE CATEGORY - OTC BRING ON

OTC to On-Exchange Contracts

47   The **OTC BRING ON** Trade Category is used to convert an OTC contract between two LME members to an LME Exchange Contract, **AND** an OTC contract between a CAT1, CAT2 or CAT4 member and his customer to an LME Registered Client Contract.

48   In order to register an OTC to On-Exchange contract, members are required to use the **OTC BRING ON** Trade Category in conjunction with the Price Type "Historic" and the Venue "OTC" for the member migration period.

49   Following full member migration, other combinations of Price Type and Venue will be valid for use with the **OTC BRING ON** Trade Category.

50   In order to register an **OTC BRING ON**, the following conditions apply:

a)   The trade date is the day the transaction is brought on Exchange.

b)   For each contract brought On-Exchange, the member must be able to provide full details of the relevant OTC commitments. The member must be able to demonstrate that the price used for the OTC client contract was a market price at the time the OTC contract was created. The LME Contract, registered using the **OTC BRING ON** Trade Category, must be for the same contractual commitment as the original OTC contract.

c)   The circumstances surrounding the contract being brought On-Exchange justify the use of this procedure. Members are reminded of their duty not to create disorderly markets i.e. the economic effect on the market of the transaction should be neutral or immaterial.

d)   Contracts brought On-Exchange may be priced at the original (OTC) contract price, current market price (usually the Closing Price for the relevant prompt date), or the Official Settlement Price if the position is for the "Cash" or "TOM" prompt date. **N.B.** until full member migration is achieved, members must process **OTC BRING ON** transactions in LMEsmart using the "Historic" Price Type.

e)   Members may average or amalgamate prices for contracts brought On-Exchange, i.e. a trade weighted average, 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 average/amalgamate trades using different pricing bases. **N.B.** until full member migration is achieved, members must process **OTC BRING ON** transactions in LMEsmart using the "Historic" Price Type.

f)   Members must maintain a full audit trail for OTC to On-Exchange transactions including the client instructions to register each position On-Exchange.

51   Examples of specific usage of the **OTC BRING ON** Trade Category for futures contracts also include the following:

a)   A trade becomes eligible for registration/matching within LMEsmart due to the prompt date now coinciding with a valid LME prompt date.

b)   A trade priced in a non-LME accepted currency is converted to an accepted LME currency via an FX conversion.

c)   A trade with an invalid LME prompt date is amended (Off-Exchange) to a valid LME prompt date.

52   Examples of specific usage of the **OTC BRING ON** Trade Category for Options contracts include the following:

a)   In certain circumstances the exercise of an OTC option may be for an LME Client Contract. This is a new LME contract and will require registration. If the exercise of the option follows that of LME Traded Options i.e. it results in a future contract for a third Wednesday prompt date of the relevant month, with its trade date being the declaration date of that month, the Client Contract should be registered using the **OTC BRING ON** Trade Category.

b)   If the resultant future is of a different structure i.e. it does not result in a futures contract for the third Wednesday of the relevant month, with its trade date being the declaration date of that month, the futures contract should be registered using the **EXCEPTION** Trade Category.

c)   The exercise of some OTC options may result in the creation of an LME Traded Option contract or an LME TAPO contract. In each of these circumstances, the Traded Option or TAPO contract should be registered using the **OTC BRING ON** Trade Category. The member will need to be able to demonstrate that the LME option reflects the contractual commitment of the OTC option.

53   Relationship with Part 2 Membership, Enforcement and Discipline paragraph 9.1.3 and Part 3 Trading Regulations paragraph 15.1 of the LME Rulebook:

a)   Paragraph 9.1.3, Part 2 Membership, Enforcement and Discipline of the LME rulebook, authorises the Executive Director: Regulation and Compliance to request information from members in circumstances where, in his opinion, an undesirable situation or improper trading practice has or may occur. In these circumstances, members will be expected to disclose the full details of all OTC relationships with customers that fall within the terms of the enquiry.

b)   Paragraph 15.1 Trading Regulations, enables the Special Committee of the LME, if they 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, "may take such steps as in their absolute discretion they deem necessary to contain or rectify the situation and they may give directions to Members accordingly."

Average Price Contracts and the OTC BRING ON Trade Category

54   The **OTC BRING ON** Trade Category is also used to register Average Price Contracts (APCs). An APC is a trade where the final contract price is unknown at the outset but is agreed on the basis of a series of future LME reference prices, usually to include a premium or discount. Members may use the **OTC BRING ON** Trade Category in conjunction with the "Average" Price Type and "OTC" Venue to register APCs in LMEsmart.

55   Members may utilise the **OTC BRING ON** Trade Category to process trades relating to an APC:

a)   When the pricing period for the APC is completed and the resultant final price is eligible for entry into LMEsmart.

b)   To register the fixed price leg of a fixed vs floating APC on the original business day if the intention from the outset is to register the floating leg On-Exchange at the end of the pricing period.

c)   When the fixed price leg of a fixed vs floating APC is registered/matched concurrently with the final priced floating leg.

d)   To process the administrative rollover of futures trades relating to an APC.

56   The floating leg of an APC can only be given-up or moved once the pricing period is complete. The fixed leg and fully priced leg of an APC can be given-up or moved in the following circumstances:

a)   Via the give-up mechanism if moved on the trade date when the fixed leg is executed or the floating leg is priced, using the **GIVE UP EXECUTOR** Trade Category in conjunction with the "Average" Price Type and "OTC" Venue.

b)   Via the **TRANSFER SEND** mechanism on (TD+1) if the LME Executor of the APC registered the fixed leg and fully priced leg as Client Contracts in LMEsmart using the **OTC BRING ON** Trade Category in conjunction with the "Average" Price Type and "OTC" Venue.

c)   Via the OTC Switch mechanism (**MEMBER CLEARING** Trade Category) if the LME Executor of the APC registered the fixed leg and fully priced leg as Client Contracts in LMEsmart using the **OTC BRING ON** Trade Category in conjunction with the "Average" Price Type and "OTC" Venue.

57   In all circumstances, members must maintain a full audit trail to demonstrate how the final price was derived and how any trades processed using the **OTC BRING ON** Trade Category relate to an APC.

Summary for the OTC BRING ON Trade Category

58   The table below shows valid combinations of trade entry fields for the **OTC BRING ON** Trade Category in LMEsmart. The combinations of Price Type, Venue, and 4-Way Agreement highlighted in green are the valid combinations for the member migration period in LMEsmart.

59   In order to register an OTC to On-Exchange contract, members are required to use the **OTC BRING ON** Trade Category in conjunction with the Price Type "Historic" and the Venue "OTC" for the member migration period.

60   In order to register an APC transaction, members are required to use the **OTC BRING ON** Trade Category in conjunction with the Price Type "Average" and the Venue "OTC" for the member migration period.

61   The Rules for bringing contracts On-Exchange should not be used to circumvent other LME Rules.

Trade Category	Price Type	Venue	4-Way Agreement	Time Format	Exchange Contract	Client Contract
OTC BRING ON	CURRENT	TELEPHONE	NO	HH:MM	Yes	Yes
OTC BRING ON	CURRENT	OTC	NO	HH:MM	Yes	Yes
OTC BRING ON	AVERAGE	TELEPHONE	NO	HH:MM	Yes	Yes
OTC BRING ON	AVERAGE	OTC	NO	HH:MM	Yes (APC)	Yes (APC)
OTC BRING ON	HISTORIC	TELEPHONE	NO	HH:MM	Yes	Yes
OTC BRING ON	HISTORIC	OTC	NO	HH:MM	Yes	Yes

TRADE CATEGORY - OTC TAKE OFF

62   The **OTC TAKE OFF** Trade Category is used to convert an LME <u>Client Contract</u> to an OTC Contract. LME Exchange Contracts cannot be taken Off-Exchange.

63   As the **OTC TAKE OFF** Trade Category only applies to LME <u>Client</u> Contracts, all valid combinations of Price Type and Venue for this Trade Category may be used during the member migration period in LMEsmart.

64   In order to register an **OTC TAKE OFF**, the following conditions apply:

a)   The customer has an On-Exchange commitment with an LME member.

b)   The trade date is the day the transaction is taken Off-Exchange.

c)   For each contract taken Off-Exchange, the member must be able to provide full details of the relevant LME Client Contract. The OTC contract created must be for the same contractual commitment as the original LME Client Contract.

d)   The circumstances surrounding the contract being taken Off-Exchange justify the use of this procedure. Members are reminded of their duty not to create disorderly markets i.e. the economic effect on the market of the transaction should be neutral or immaterial.

e)   Contracts taken Off-Exchange may be priced at the original "Historic" contract price, or "Current" market price (usually the Closing Price for the relevant prompt date or the Official Settlement Price if the position is for the "Cash" or "TOM" prompt date). **N.B.** Contracts taken Off-Exchange at a price other than the original contract price may leave residual monetary balances in members' systems.

f)   Members may average or amalgamate prices for contracts taken Off-Exchange, i.e. a trade weighted average, 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 average/amalgamate trades using different pricing bases. **N.B.** Contracts taken Off-Exchange at a price other than a trade weighted average of the original contract prices may leave residual monetary balances in members' systems.

65   The Rules for taking contracts Off-Exchange should not be used to circumvent other LME Rules.

66   Members must maintain a full audit trail for the **OTC TAKE OFF** transaction including the client instructions to take each position Off-Exchange.

67   Examples of specific usage of the **OTC TAKE OFF** Trade Category for client contracts include the following:

a)   A trade priced in an LME accepted currency is converted to a non-LME accepted currency via an FX conversion.

b)   In exceptional circumstances, a customer who has closed out all his LME positions may wish to realise the net profits/losses prior to maturity. In this instance, an LME member may process a series of **OTC TAKE OFF** entries and settle with the customer. This may be achieved by processing a contra trade weighted average of the longs and a contra trade weighted average of the shorts at the original contract prices, see 64 (e) and (f) above.

68   The table below shows the valid combinations of trade entry fields for the **OTC TAKE OFF** Trade Category in LMEsmart.

Trade Category	Price Type	Venue	4-Way Agreement	Time Format	Exchange Contract	Client Contract
OTC TAKE OFF	CURRENT	TELEPHONE	NO	HH:MM	No	Yes
OTC TAKE OFF	AVERAGE	TELEPHONE	NO	HH:MM	No	Yes
OTC TAKE OFF	HISTORIC	TELEPHONE	NO	HH:MM	No	Yes

TRADE CATEGORIES - TRANSFER SEND AND TRANSFER RECEIVE

Transfers

69   The **TRANSFER SEND** and **TRANSFER RECEIVE** Trade Categories are used to facilitate the movement of an existing LME Client Contract between LME members for a **common customer**.

70   The member moving the position, the transferor must use the **TRANSFER SEND** Trade Category. The member receiving the position, the transferee must use the **TRANSFER RECEIVE** Trade Category. **A TRANSFER SEND** trade half can only match with a **TRANSFER RECEIVE** trade half.

71   In order to register a transfer in LMEsmart, members are required to use the **TRANSFER SEND** and **TRANSFER RECEIVE** Trade Categories in conjunction with the "Historic" Price Type and "Telephone" Venue for the member migration period.

72   Before a member can register a transfer, the client must have one or more LME registered Client Contracts recorded in both LMEsmart and in the member's trading and financial records. The relevant LME registered Client Contract(s) must have been entered into LMEsmart no later than the business day before the transfer takes place.

73   Exchange Contracts used to signify the movement of customer trades between LME clearing members may only be booked into or out of the members House accounts at LCH.Clearnet. For transfers, there is normally no requirement for either member involved in the Exchange Contract to register a Client Contract. However, if the position is held or will be received into a member's segregated Client account at LCH.Clearnet, a Client Contract must be registered to signify the movement of the position between the House and Client account prior to remitting, or subsequent to receiving, a segregated trade to/from another member.

74   For members who do not utilise the Client account at LCH.Clearnet as a method for providing segregation of client funds, there is no requirement to register a Client Contract when effecting movements such as transfers for their customers.

75   For clearing members who have a Client account at LCH.Clearnet for the purpose of registering segregated LME Client Contracts, the following procedure applies:

76   Members transferring a position out of the Client Account at LCH.Clearnet must reverse the position by registering a Client Contract for the segregated sub account ("C") using the **REVERSAL** Trade Category in LMEsmart. This will move the position from the segregated sub account ("C") to the House Account ("H") of the transferring member. The **TRANSFER SEND** Trade Category should be used to register the movement between members.

77   When a member receives a position from another member, utilising the **TRANSFER RECEIVE** Trade Category, that is destined for a segregated client, the position that is created in the House Account ("H") of the receiving member must be

moved to the Client Account at LCH.Clearnet. This is achieved by registering a Client Contract for the segregated sub account ("C") using the **EXCEPTION** Trade Category in LMEsmart.

78 Client contracts may be transferred at the original "Historic" contract price, or "Current" market price (usually the Closing Price for the relevant prompt date). **N.B.** until full member migration is achieved, members must <u>process</u> client transfers using the "Historic" Price Type.

79 Members may average or amalgamate prices for the client contracts being transferred, i.e. a trade weighted average, 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 average/amalgamate trades using different pricing bases. **N.B.** until full member migration is achieved, members must <u>process</u> client transfers using the "Historic" Price Type.

80 Client contracts transferred at a price other than the original contract price or a trade weighted average of the original contract prices may leave residual monetary balances in the member's books.

81 In order to register a **TRANSFER SEND/TRANSFER RECEIVE** transaction, the following additional conditions apply:

a) The trade date entered into LMEsmart is the date the transfer is agreed by all parties.

b) The first 5 characters in the 12 character Public Reference Field, (PRF), constitute a mandatory matching field in LMEsmart for the **TRANSFER SEND/TRANSFER RECEIVE** Trade Categories and a reference must be agreed by both members to identify the common customer.

c) **The TRANSFER SEND/ TRANSFER RECEIVE** transaction must not be carried out in order to avoid or evade other LME Rules, including Rules relating to give-ups.

d) Members must maintain a full audit trail for the **TRANSFER SEND/TRANSFER RECEIVE** transaction including the client instructions to effect the transfer.

82 As Category 3 members cannot issue LME Client Contracts they cannot enter **TRANSFER SEND/TRANSFER RECEIVE** transactions in LMEsmart.

83 The table below shows valid combinations of trade entry fields for the **TRANSFER SEND** and **TRANSFER RECEIVE** Trade Categories in LMEsmart. The combination of Price Type, Venue, and 4-Way Agreement highlighted in green is the valid combination for the member migration period in LMEsmart.

Trade Category	Price Type	Venue	4-Way Agreement	Time Format	Exchange Contract	Client Contract
TRANSFER SEND	HISTORIC	TELEPHONE	NO	HH:MM	Yes	No
TRANSFER RECEIVE	CURRENT	TELEPHONE	NO	HH:MM	Yes	No
TRANSFER RECEIVE	AVERAGE	TELEPHONE	NO	HH:MM	Yes	No
TRANSFER RECEIVE	HISTORIC	TELEPHONE	NO	HH:MM	Yes	No

84   Following full member migration, other combinations of Price Type and Venue will be valid for use with the **TRANSFER SEND** and **TRANSFER RECEIVE** Trade Categories.

Metal Position Swaps

85   The term metal position swap describes the practice whereby commercial trade users of physical metal swap/exchange an On-Exchange hedge and a commitment to deliver physical metal. The swap is facilitated by two LME members each of whom has one of the commercial trade users as a customer or by a single LME member who has both commercial trade users as customers. The trade recorded in the matching system is the movement of an LME position for a **non common** customer where both customers are commercial trade users of physical metal.

86   A commercial trade user is a company, other than a member (except for an Associate Trade Clearing Member), that has a requirement for the use of physical metal and is not a broker of Futures and/or Option trades.

Two Member Metal Position Swaps

87   The **TRANSFER SEND** and **TRANSFER RECEIVE** Trade Categories can be used to facilitate a metal position swap between two LME members for non common customers who are commercial trade users of physical metal.

88   The member moving the position, the transferor must use the **TRANSFER SEND** Trade Category. The member receiving the position, the transferee must use the **TRANSFER RECEIVE** Trade Category. **A TRANSFER SEND** trade half can only match with a **TRANSFER RECEIVE** trade half.

89   In order to register a metal position swap, members are required to use the **TRANSFER SEND** and **TRANSFER RECEIVE** Trade Categories in LMEsmart with the 4-Way Agreement trade entry field set to "Yes" and the Venue field identified as "Telephone".   The Price Type trade entry field can be identified as "Current", "Average" or "Historic".

90   The table below shows the valid combinations of trade entry fields required to register a metal position swap in LMEsmart using the **TRANSFER SEND** and **TRANSFER RECEIVE** Trade Categories.

Trade Category	Price Type	Venue	4-Way Agreement	Time Format	Exchange Contract	Client Contract
TRANSFER SEND	AVERAGE	TELEPHONE	YES	HH:MM	Yes	No
TRANSFER SEND	HISTORIC	TELEPHONE	YES	HH:MM	Yes	No
TRANSFER RECEIVE	CURRENT	TELEPHONE	YES	HH:MM	Yes	No
TRANSFER RECEIVE	AVERAGE	TELEPHONE	YES	HH:MM	Yes	No
TRANSFER RECEIVE	HISTORIC	TELEPHONE	YES	HH:MM	Yes	No

91   Before a customer can swap his position to another customer, he must have one or more LME registered Client Contracts recorded as such in LMEsmart and in the first member's trading and financial records.

92   In order to register a metal position swap, the following additional conditions apply:

a)   Both members must ensure that a 4-Way Metal Swap Agreement has been completed and each member must retain a copy of this agreement (a specimen 4-Way Metal Swap Agreement is attached in Appendix B).

b)   The relevant LME registered Client Contracts must have been entered into LMEsmart no later than the business day before the metal swap takes place.

c)   Each LME member must have one of the commercial trade users involved in the transaction as an existing customer.

d)   The transaction must be properly documented and members should maintain a sufficient audit trial to explain the transaction. In particular, members must retain written evidence of their customer's request to move the position (as a minimum this must include the 4-Way Metal Swap Agreement). Members who are conducting a series of inter-linked transactions, such as a strip may record such transactions on a single Metal Swap Agreement.

e)   The metal position swap can only be made at current market price, the original contract price, or an aggregation of these prices for the position(s) being moved for each prompt date. Members may not average/amalgamate different pricing bases.

f)   The trade date entered into LMEsmart is the date the metal position swap is agreed by all parties.

93   The metal position swap must not be carried out in order to avoid or evade other LME Rules, including Rules relating to give-ups, and must be for a commercial purpose.

94   The two LME members transacting the metal swap must agree a code to identify the customer receiving the position and enter this code in the Public Reference Field, (PRF), in LMEsmart.

95   When registering a metal position swap for a segregated customer, the transferring member must first reverse the position out of the Client account by registering a Client Contract for the segregated sub account ("C") using the **REVERSAL** Trade Category in LMEsmart. This will move the position from the segregated sub account ("C") to the House Account ("H") of the member. The metal position swap transaction can then be registered.

96   When a member receives a metal position swap from another member that is destined for a segregated client, the position that is created in the House Account ("H") of the receiving member must be moved to the Client Account at LCH.Clearnet. This is achieved by registering a Client Contract for the segregated sub account ("C") using the **EXCEPTION** Trade Category in LMEsmart.

97   A situation is possible where the metal swap arrangement is between a customer of a member and an Associate Trade Clearing Member who is also a commercial trade user of the same metal.   In this scenario, the metal swap arrangement will be subject to the same Rules as above except that the Associate Trade Clearing Member will not itself have a customer.

Single Member Metal Position Swaps

98   A metal position swap transacted by a single LME member involves the novation of an existing LME position from one commercial trade user to another commercial trade user. The following procedures apply to such transactions:

a)   Before a customer can swap his position to another customer, he must have one or more LME registered Client Contracts recorded as such in LMEsmart and in the member's trading and financial records. In addition, the relevant LME registered Client Contracts must have been entered into LMEsmart no later than the business day before the novation takes place.

b)   The member must record the novation between his customers.   It is recommended that a modified version of the 4-Way Metal Swap Agreement be used.

c)   The Client Contract being moved must be reversed in LMEsmart using the **REVERSAL** Trade Category.   The swap must then be registered for the receiving customer using the **EXCEPTION** Trade Category.

d)   Any price adjustment should be reflected in the **EXCEPTION** Client Contract. The member must maintain a sufficient audit trail to explain the transaction and any price adjustment made.

e) Associate Trade Clearing Members may not conduct single member metal position swaps.

TRADE CATEGORIES - REVERSAL AND CORRECTION

99 The **REVERSAL** Trade Category in LMEsmart is used to reverse out matched Exchange contracts and Client Contracts.

100 The **CORRECTION** Trade Category in LMEsmart is used to submit corrected Exchange trade halves and Client Contracts.

101 LME Registered Client Contracts may be cancelled and resubmitted to LMEsmart on the day of trade but errors identified thereafter must be corrected using **REVERSAL** and **CORRECTION** entries.

102 Trades that have been matched or registered in LMEsmart and contain an error in one or more of the fields that affect the delivery conditions of the contract will require a **REVERSAL** and **CORRECTION** trade to be submitted. The following fields are eligible for correction:

- price

- metal

- prompt date

- currency

- LCH sub account ("N" or "C")

- direction of LCH sub account

- contract type

- client ID (optional)

103 Errors made in the client ID field may be corrected at the discretion of the member unless the corresponding LCH sub account ("N" or "C") has been incorrectly recorded in which case a reversal/correction is required.

104 Trades that have matched or registered with incorrect details specific to a member's internal trading records, such as commission, do not require correction. Errors within the Trade Category, trade date, and trade time fields of matched and registered trades do not require correction. In the event that such errors are detected, members should maintain appropriate internal records to explain any action taken.

105 Members must register a **REVERSAL** entry for the incorrect trade using the original trade date and time.

106 Members must register a **CORRECTION** entry using the original trade date and time.

107   In the scenario where a trade has been duplicated, members may register a stand alone **REVERSAL** for one entry using the original trade date and time.

108   Matched or registered trades should be reversed and corrected, if required, as soon as practicable after the error is detected.

109   Corrections to trades executed on LMEselect are not permitted. "Select" is not a valid entry in the Venue field in LMEsmart for the **REVERSAL** and **CORRECTION** Trade Categories.

110   Corrections to trades brought On-Exchange must have the Venue field identified as "Telephone" in LMEsmart. "OTC" is not a valid entry in the Venue field for the **REVERSAL** and **CORRECTION** Trade Categories.

111   Members are required to maintain a complete audit trail of these transactions.

112   Examples of specific usage of the correction mechanism include the following:

a)   A correction is required to a Client Contract that was incorrectly registered using a prompt date that is now past prompt. In this instance members may register a stand alone **CORRECTION** entry in LMEsmart if the amendment applies to the prompt date only and the trade is for a non-segregated customer.

b)   A correction is required to amend the volume of a matched Exchange Contract or a registered Client Contract. In this instance the entire original incorrect trade must be reversed and the correct volume recorded. A partial **REVERSAL** entry for excess volume is not permitted. Similarly additional volume may not be recorded using a stand alone **CORRECTION** entry.

c)   A correction is required to amend one or more legs of a carry trade. If all legs of a carry trade are "live" i.e. no legs are past prompt, the LME recommends that the entire original carry trade be reversed out and re-entered as a new carry trade using the **REVERSAL** and **CORRECTION** Trade Categories. Carry trades are submitted to LMEsmart as a package; all the legs of a carry include a "carry" identifier" and are allotted the same match number. Reversing the entire carry to correct one or more legs ensures that the carry trade remains as a package with a shared match number. If a member chooses to correct the single leg(s) containing the error, the **REVERSAL** and **CORRECTION** entries in LMEsmart will be recorded as Futures Outright trades rather than Futures Carry trades and allotted new match sequence numbers. Members are advised to keep an adequate audit trail to demonstrate how the single corrected leg(s) relates to the original carry trade. If one or more legs of a carry trade have expired, only the remaining "live" legs are eligible for correction. The corrected trade cannot be recorded as a carry but as a series of single Futures Outright trades.

d)   Exchange Contracts used to signify the movement of customer trades between LME clearing members may only be booked into or out of members House accounts at LCH.Clearnet. If a position is held in the member's segregated Client account at LCH.Clearnet, a Client Contract must be

registered to signify the movement of the position between the House and Client account prior to transferring/clearing a position with another member. Members moving a position out of the Client Account at LCH.Clearnet must reverse the position by registering a Client Contract for the segregated sub account ("C") using the **REVERSAL** Trade Category in LMEsmart. This will move the position from the member's segregated sub account ("C") to the Member's House Account ("H"). The position may then be transferred or cleared with another member using the appropriate Trade Category in LMEsmart.

e)   In the event that members agree to reverse out an (eligible) error trade executed on LME Select, in accordance with LME Notice 08/047 : A045 : R007 New LMEselect Error Trade Policy, the LMEselect trade must be reversed using the **REVERSAL** Trade Category with the Price Type identified as "Current" and the Venue identified as "Telephone". Reversal trades cannot have "Select" as a venue in LMEsmart.

f)   In the event that members are required to adjust a trade executed in LMEselect as a result of Lending Guidance, members must follow the procedure set out in LME Notice 05/377 : A370 R016 Lending Guidance for LME Metals. The LMEselect trade must be reversed using the **REVERSAL** Trade Category and the new adjusted trade entered using the **NORMAL** Trade Category. For both the **REVERSAL** and **NORMAL** entries, the Price Type must be identified as "Current" and the Venue as "Telephone". Reversal trades cannot have "Select" as a venue in LMEsmart.

113   Members are required to maintain a complete audit trail of all **REVERSAL** and **CORRECTION** entries in LMEsmart.

114   The table below shows valid combinations of trade entry fields for the **REVERSAL** and **CORRECTION** Trade Categories in LMEsmart. The combinations of Price Type, Venue, and 4-Way Agreement highlighted in green are the valid combinations for the member migration period in LMEsmart.

Trade Category	Price Type	Venue	4-Way Agreement	Time Format	Exchange Contract	Client Contract
REVERSAL	CURRENT	TELEPHONE	NO	HH:MM	Yes	Yes
REVERSAL	CURRENT	RING	NO	R* or K*	Yes	No
REVERSAL	CURRENT	BASIS RING	NO	C* or D*	Yes	Yes
REVERSAL	AVERAGE	TELEPHONE	NO	HH:MM	Yes	Yes
REVERSAL	AVERAGE	RING	NO	R* or K*	Yes	No
REVERSAL	AVERAGE	BASIS RING	NO	C* or D*	Yes	Yes
REVERSAL	HISTORIC	TELEPHONE	NO	HH:MM	Yes	Yes
REVERSAL	HISTORIC	RING	NO	R* or K*	Yes	No
REVERSAL	HISTORIC	BASIS RING	NO	C* or D*	Yes	Yes
CORRECTION	CURRENT	TELEPHONE	NO	HH:MM	Yes	Yes

CORRECTION	CURRENT	RING	NO	R* or K*	Yes	No
CORRECTION	CURRENT	BASIS RING	NO	C* or D*	Yes	Yes
CORRECTION	AVERAGE	TELEPHONE	NO	HH:MM	Yes	Yes
CORRECTION	AVERAGE	RING	NO	R* or K*	Yes	No
CORRECTION	AVERAGE	BASIS RING	NO	C* or D*	Yes	Yes
CORRECTION	HISTORIC	TELEPHONE	NO	HH:MM	No	Yes
CORRECTION	HISTORIC	TELEPHONE	NO	HH:MM	Yes	Yes
CORRECTION	HISTORIC	RING	NO	R* or K*	Yes	No
CORRECTION	HISTORIC	BASIS RING	NO	C* or D*	Yes	Yes

115   Following full member migration, other combinations of Price Type and Venue will be valid for use with the **REVERSAL** and **CORRECTION** Trade Categories.

Currency Conversions and the Correction Mechanism

116   A currency conversion is a transaction in which an <u>existing</u> LME client position is converted from one LME accepted currency to another LME accepted currency. Currency conversions can only be applied to Client Contracts.

117   In order to register a currency conversion the following procedure must be followed:

a)   The original Client Contract must be reversed in LMEsmart using the **REVERSAL** Trade Category with the Price Type field identified as "Historic" and the Venue field identified as "Telephone".

b)   The newly converted trade must be entered in LMEsmart using the **CORRECTION** Trade Category with the Price Type field identified as "Historic" and the Venue field identified as "Telephone".

c)   The trade date entered into LMEsmart is the date when the contract is converted for both the **REVERSAL** and **CORRECTION** entries.

d)   Sufficient documentation must be maintained to explain the transaction. This must include the original details of the trade including the date and time of the transaction and the details of the FX rate used for the conversion.

e)   A currency conversion should always comprise at least two entries in LMEsmart. In the event that prompt date/currency processing restrictions apply, members may not register either leg of the transaction. Members should maintain sufficient records to demonstrate why the currency conversion entries could not be registered in LMEsmart.

f)   The only trade details that should be altered for currency conversion trades are the currency and the price. If the client requires other fields to be amended at the same time as the conversion (such as the prompt date due to

a banking holiday in one of the currencies), then the **REVERSAL** and **CORRECTION** entries must be registered in accordance with 99-111 above.

118   The above table shows the valid combination of Trade Categories, Price Type and Venue high lighted in blue for a currency conversion to be recorded in LMEsmart.

TRADE CATEGORY - HISTORIC PRICE CARRY

119   The **HISTORIC PRICE CARRY** Trade Category is used to roll or carry forward an existing LME Client Contract to a valid LME prompt date on the basis of the original contract price within the same LME member.

120   When agreeing to execute a Historic Price Carry transaction, (HPC), members must ensure that they have complied with the Rules for these transactions set out in LME Notice [99/484:A472:RO34].

121   When registering an HPC in LMEsmart members must enter it as a carry trade comprising at least two legs using the **HISTORIC PRICE CARRY** Trade Category with the Price Type identified as "Historic" and the Venue identified as "Telephone".

122   HPCs cannot be registered without a "nearby" leg in cases where the prompt date/currency restrictions within LMEsmart are activated, or without a "forward" leg, in circumstances where the forward date is an invalid LME prompt date, as these do not comply with the Rules governing HPC transactions.

123   The table below shows valid combinations of trade entry fields for the **HISTORIC PRICE CARRY** Trade Category in LMEsmart. The combination of Price Type, Venue, and 4-Way Agreement highlighted in green is the valid combination for the member migration period in LMEsmart.

Trade Category	Price Type	Venue	4-Way Agreement	Time Format	Exchange Contract	Client Contract
HISTORIC PRICE CARRY	CURRENT	TELEPHONE	NO	HH:MM	No	Yes
HISTORIC PRICE CARRY	AVERAGE	TELEPHONE	NO	HH:MM	No	Yes
HISTORIC PRICE CARRY	HISTORIC	TELEPHONE	NO	HH;MM	No	Yes

124   Following full member migration, other combinations of Price Type will be valid for use with the **HISTORIC PRICE CARRY** Trade Category although the "Historic" Price Type is the most appropriate pricing basis for an HPC transaction.

TRADE CATEGORY - OPTION EXPIRY FUTURE

125   The **OPTION EXPIRY FUTURE** Trade Category is used to register the futures position resulting from the declaration of an LME Traded Option or TAPO.

126   The **OPTION EXPIRY FUTURE** Trade Category must be used in conjunction with the "Historic" Price Type and "Telephone" Venue for the member migration period in LMEsmart.

127   This Trade Category applies to both Exchange and Client contracts and is used in the following circumstances:

a)   The registration of a Futures Contract for a non-segregated client resulting from the declaration of an LME Traded Option.

b)   Late declaration of an Exchange Traded Option (after 11:15 on the first Wednesday), with the consent of the counterparty member, LCH.Clearnet and LME Member Surveillance (membersurveillance@lme.com).

c)   Late declaration of a Client Traded Option (after 11:15 on the first Wednesday), with the consent of LCH.Clearnet and LME Member Surveillance (membersurveillance@lme.com).

128   Futures positions resulting from the declaration of an LME Traded Option or TAPO for an Exchange Contract or segregated client contract are created automatically in a member's House and Client account (if applicable) at LCH.Clearnet. Under normal circumstances, only Futures positions resulting from the declaration of an LME Trade Option or TAPO for non-segregated customers require registration in LMEsmart.

129   The declaration of a TAPO for a non-segregated client requires the registration of two client contracts in LMEsmart as required by rule 10.1 of part 5B of the LME Rule Book; members must enter the original strike price of the TAPO as well as the monthly moving average price for the TAPO using the **OPTION EXPIRY FUTURE** Trade Category.

130   The declaration of an OTC option which results in an LME Traded Option, an LME TAPO, or an LME Futures trade is covered in paragraph 52(c).

131   The trade date registered in LMEsmart for an **OPTION EXPIRY FUTURE** is the date of declaration of the LME Traded Option or TAPO. Members must keep sufficient documentation to show details of the LME Traded Option or TAPO including the date and time when it was written.

132   The table below shows valid combinations of trade entry fields for the **OPTION EXPIRY FUTURE** Trade Category in LMEsmart. The combination of Price Type, Venue, and 4-Way Agreement highlighted in green is the valid combination for the member migration period in LMEsmart.

Trade Category	Price Type	Venue	4-Way Agreement	Time Format	Exchange Contract	Client Contract
OPTION EXPIRY FUTURE	CURRENT	TELEPHONE	NO	HH:MM	Yes	Yes
OPTION EXPIRY FUTURE	CURRENT	OTC	NO	HH:MM	Yes	Yes
OPTION EXPIRY FUTURE	AVERAGE	TELEPHONE	NO	HH:MM	Yes	Yes
OPTION EXPIRY FUTURE	AVERAGE	OTC	NO	HH:MM	Yes	Yes
OPTION EXPIRY FUTURE	HISTORIC	TELEPHONE	NO	HH:MM	Yes	Yes
OPTION EXPIRY FUTURE	HISTORIC	OTC	NO	HH:MM	Yes	Yes

133   Following full member migration, other combinations of Price Type and Venue shown above will be valid for use with the **OPTION EXPIRY FUTURE** Trade Category.

TRADE CATEGORY - EXCEPTION

134   The **EXCEPTION** Trade Category is used to enter trades into LMEsmart in exceptional circumstances and in instances where no other Trade Category is appropriate.

135   The **EXCEPTION** Trade Category must be used in conjunction with the "Historic" Price Type and "Telephone" Venue for the member migration period in LMEsmart.

136   Members must maintain a sufficient audit trail of all trades matched using the **EXCEPTION** Trade Category in order to explain why trades were processed using this Trade Category.

137   Specific uses of the **EXECPTION** Trade Category include:

a)   When a member receives a position from another member, utilising the **TRANSFER RECEIVE** Trade Category, that is destined for a segregated client, the position that is created in the House Account ("H") of the receiving member must be moved to the Client Account at LCH.Clearnet. This is achieved by registering a Client Contract for the segregated sub account ("C") using the **EXCEPTION** Trade Category in LMEsmart.

b)   When an OTC Option is declared and the resulting Futures position does not have a third Wednesday prompt date, then the Futures Contract must be processed in LMEsmart using the **EXCEPTION** Trade Category.

c) If for any reason a **NORMAL** trade is not matched or registered in LMEsmart on (TD) or (TD+1), then the trade will have to be entered using the **EXCEPTION** Trade Category. Members should notify the LME Member Surveillance Department of these entries by e-mail (membersurveillance@lme.com) in order to avoid an issue being raised in the month end trade monitoring queries.

138 The table below shows valid combinations of trade entry fields for the **EXCEPTION** Trade Category in LMEsmart. The combination of Price Type, Venue, and 4-Way Agreement highlighted in green is the valid combination for the member migration period in LMEsmart.

Trade Category	Price Type	Venue	4-Way Agreement	Time Format	Exchange Contract	Client Contract
EXCEPTION	CURRENT	TELEPHONE	NO	HH:MM	Yes	Yes
EXCEPTION	CURRENT	RING	NO	R* or K*	Yes	No
EXCEPTION	CURRENT	BASIS RING	NO	C* or D*	Yes	Yes
EXCEPTION	CURRENT	OTC	NO	HH:MM	Yes	Yes
EXCEPTION	AVERAGE	TELEPHONE	NO	HH:MM	Yes	Yes
EXCEPTION	AVERAGE	RING	NO	R* or K*	Yes	No
EXCEPTION	AVERAGE	BASIS RING	NO	C* or D*	Yes	Yes
EXCEPTION	AVERAGE	OTC	NO	HH:MM	Yes	Yes
EXCEPTION	HISTORIC	TELEPHONE	NO	HH:MM	Yes	Yes
EXCEPTION	HISTORIC	RING	NO	R* or K*	Yes	No
EXCEPTION	HISTORIC	BASIS RING	NO	C* or D*	Yes	Yes
EXCEPTION	HISTORIC	OTC	NO	HH:MM	Yes	Yes

139 Following full member migration, other combinations of Price Type and Venue will be valid for use with the **EXCEPTION** Trade Category.

TRADE CATEGORY - CAPS

140 The **CAPS** Trade Category in LMEsmart is used to register Cleared Average Price Swaps executed in accordance with Notice 08/081: A079: R008.

141 The table below shows valid combinations of trade entry fields for the **CAPS** Trade Category in LMEsmart. The combination of Price Type, Venue, and 4-Way Agreement highlighted in green is the valid combination for the member migration period in LMEsmart.

Trade Category	Price Type	Venue	4-Way Agreement	Time Format	Exchange Contract	Client Contract
CAPS	CURRENT	TELEPHONE	NO	HH:MM	Yes	No
CAPS	CURRENT	OTC	NO	HH:MM	Yes	No
CAPS	AVERAGE	TELEPHONE	NO	HH:MM	Yes	No
CAPS	AVERAGE	OTC	NO	HH:MM	Yes	No
CAPS	HISTORIC	TELEPHONE	NO	HH:MM	Yes	No
CAPS	HISTORIC	OTC	NO	HH:MM	Yes	No

142   Following full member migration, other combinations of Price Type and Venue will be valid for use with the **CAPS** Trade Category.

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TRADE CATEGORIES TO TRADE TYPES MAPPING TABLE

Trade Category	Price Type	Venue	4-Way Agreement	Time Format	Trade Type Exchange	Trade Type Client	Valid
NORMAL	CURRENT	TELEPHONE	NO	HH:MM	DD	DC	Y
NORMAL	CURRENT	RING	NO	R* or K*	DD	X	Y
NORMAL	CURRENT	BASIS RING	NO	C* or D*	DD	DC	Y
NORMAL	CURRENT	SELECT	NO	HH:MM	BB	AB	Y
NORMAL	AVERAGE	TELEPHONE	NO	HH:MM	AD	DA	Y
NORMAL	AVERAGE	RING	NO	R* or K*	AD	X	Y
NORMAL	AVERAGE	BASIS RING	NO	C* or D*	AD	DA	Y
GIVE-UP EXECUTOR	CURRENT	TELEPHONE	NO	HH:MM	GD	X	Y
GIVE-UP EXECUTOR	CURRENT	OTC	NO	HH:MM	GV	X	Y
GIVE-UP EXECUTOR	AVERAGE	TELEPHONE	NO	HH:MM	GA	X	Y
GIVE-UP EXECUTOR	AVERAGE	OTC	NO	HH:MM	GV	X	Y
GIVE-UP EXECUTOR	HISTORIC	TELEPHONE	NO	HH:MM	GL	X	Y
GIVE-UP EXECUTOR	HISTORIC	OTC	NO	HH:MM	GV	X	Y
GIVE-UP CLEARER	CURRENT	TELEPHONE	NO	HH:MM	UD	DG	Y
GIVE-UP CLEARER	CURRENT	OTC	NO	HH:MM	UV	DG	Y
GIVE-UP CLEARER	AVERAGE	TELEPHONE	NO	HH:MM	UA	DG	Y
GIVE-UP CLEARER	AVERAGE	OTC	NO	HH:MM	UV	DG	Y
GIVE-UP CLEARER	HISTORIC	TELEPHONE	NO	HH:MM	UL	DL	Y
GIVE-UP CLEARER	HISTORIC	OTC	NO	HH:MM	UV	DG	Y

MEMBER CLEARING	CURRENT	TELEPHONE	NO	HH:MM	CS	X	Y
MEMBER CLEARING	CURRENT	OTC	NO	HH:MM	OS	X	Y
MEMBER CLEARING	AVERAGE	TELEPHONE	NO	HH:MM	OS	X	Y
MEMBER CLEARING	AVERAGE	OTC	NO	HH:MM	OS	X	Y
MEMBER CLEARING	HISTORIC	TELEPHONE	NO	HH:MM	OS	X	Y
MEMBER CLEARING	HISTORIC	OTC	NO	HH:MM	OS	X	Y
HISTORIC PRICE CARRY	CURRENT	TELEPHONE	NO	HH:MM	X	DH	Y
HISTORIC PRICE CARRY	AVERAGE	TELEPHONE	NO	HH:MM	X	DH	Y
HISTORIC PRICE CARRY	HISTORIC	TELEPHONE	NO	HH:MM	X	DH	Y
OPTION EXPIRY FUTURE	CURRENT	TELEPHONE	NO	HH:MM	ZD	DZ	Y
OPTION EXPIRY FUTURE	CURRENT	OTC	NO	HH:MM	ZD	DZ	Y
OPTION EXPIRY FUTURE	AVERAGE	TELEPHONE	NO	HH:MM	ZD	DZ	Y
OPTION EXPIRY FUTURE	AVERAGE	OTC	NO	HH:MM	ZD	DZ	Y
OPTION EXPIRY FUTURE	HISTORIC	TELEPHONE	NO	HH:MM	ZD	DZ	Y
OPTION EXPIRY FUTURE	HISTORIC	OTC	NO	HH:MM	ZD	DZ	Y
REVERSAL	CURRENT	TELEPHONE	NO	HH:MM	CR	CR	Y
REVERSAL	CURRENT	RING	NO	R* or K*	CR	X	Y
REVERSAL	CURRENT	BASIS RING	NO	C* or D*	CR	CR	Y
REVERSAL	AVERAGE	TELEPHONE	NO	HH:MM	CR	CR	Y

REVERSAL	AVERAGE	RING	NO	R* or K*	CR	X	Y
REVERSAL	AVERAGE	BASIS RING	NO	C* or D*	CR	CR	Y
REVERSAL	HISTORIC	TELEPHONE	NO	HH:MM	CR	CX	Y
REVERSAL	HISTORIC	RING	NO	R* or K*	CR	X	Y
REVERSAL	HISTORIC	BASIS RING	NO	C* or D*	CR	CR	Y
CORRECTION	CURRENT	TELEPHONE	NO	HH:MM	CT	CT	Y
CORRECTION	CURRENT	RING	NO	R* or K*	CT	X	Y
CORRECTION	CURRENT	BASIS RING	NO	C* or D*	CT	CT	Y
CORRECTION	AVERAGE	TELEPHONE	NO	HH:MM	CT	CT	Y
CORRECTION	AVERAGE	RING	NO	R* or K*	CT	X	Y
CORRECTION	AVERAGE	BASIS RING	NO	C* or D*	CT	CT	Y
CORRECTION	HISTORIC	TELEPHONE	NO	HH:MM	X	CX	Y
CORRECTION	HISTORIC	TELEPHONE	NO	HH:MM	CT	X	Y
CORRECTION	HISTORIC	RING	NO	R* or K*	CT	X	Y
CORRECTION	HISTORIC	BASIS RING	NO	C* or D*	CT	CT	Y
EXCEPTION	CURRENT	TELEPHONE	NO	HH:MM	X	P*	Y
EXCEPTION	CURRENT	TELEPHONE	NO	HH:MM	OD	X	Y
EXCEPTION	CURRENT	RING	NO	R* or K*	OD	X	Y
EXCEPTION	CURRENT	BASIS RING	NO	C* or D*	OD	DO	Y
EXCEPTION	CURRENT	OTC	NO	HH:MM	OD	DO	Y
EXCEPTION	AVERAGE	TELEPHONE	NO	HH:MM	OD	DO	Y
EXCEPTION	AVERAGE	RING	NO	R* or K*	OD	X	Y
EXCEPTION	AVERAGE	BASIS RING	NO	C* or D*	OD	DO	Y
EXCEPTION	AVERAGE	OTC	NO	HH:MM	OD	DO	Y
EXCEPTION	HISTORIC	TELEPHONE	NO	HH:MM	OD	DO	Y
EXCEPTION	HISTORIC	RING	NO	R* or K*	OD	X	Y
EXCEPTION	HISTORIC	BASIS RING	NO	C* or D*	OD	DO	Y
EXCEPTION	HISTORIC	OTC	NO	HH:MM	OD	DO	Y
OTC BRING ON	CURRENT	TELEPHONE	NO	HH:MM	EE	DE	Y

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OTC BRING ON	CURRENT	OTC	NO	HH:MM	EE	DE	Y
OTC BRING ON	AVERAGE	TELEPHONE	NO	HH:MM	AV	DV	Y
OTC BRING ON	AVERAGE	OTC	NO	HH:MM	AV	DV	Y
OTC BRING ON	HISTORIC	TELEPHONE	NO	HH:MM	EE	DE	Y
OTC BRING ON	HISTORIC	OTC	NO	HH:MM	EE	DE	Y
OTC TAKE OFF	CURRENT	TELEPHONE	NO	HH:MM	X	DQ	Y
OTC TAKE OFF	AVERAGE	TELEPHONE	NO	HH:MM	X	DQ	Y
OTC TAKE OFF	HISTORIC	TELEPHONE	NO	HH:MM	X	DQ	Y
TRANSFER SEND	CURRENT	TELEPHONE	NO	HH:MM	TT	X	Y
TRANSFER SEND	CURRENT	TELEPHONE	YES	HH:MM	TT	X	Y
TRANSFER SEND	AVERAGE	TELEPHONE	NO	HH:MM	TT	X	Y
TRANSFER SEND	AVERAGE	TELEPHONE	YES	HH:MM	TT	X	Y
TRANSFER SEND	HISTORIC	TELEPHONE	NO	HH:MM	TT	X	Y
TRANSFER SEND	HISTORIC	TELEPHONE	YES	HH:MM	MS	X	Y
TRANSFER RECEIVE	CURRENT	TELEPHONE	NO	HH:MM	FF	X	Y
TRANSFER RECEIVE	CURRENT	TELEPHONE	YES	HH:MM	FF	X	Y
TRANSFER RECEIVE	AVERAGE	TELEPHONE	NO	HH:MM	FF	X	Y
TRANSFER RECEIVE	AVERAGE	TELEPHONE	YES	HH:MM	FF	X	Y
TRANSFER RECEIVE	HISTORIC	TELEPHONE	NO	HH:MM	FF	X	Y
TRANSFER RECEIVE	HISTORIC	TELEPHONE	YES	HH:MM	MS	X	Y
CAPS	CURRENT	TELEPHONE	NO	HH:MM	SW	X	Y
CAPS	CURRENT	OTC	NO	HH:MM	SW	X	Y
CAPS	AVERAGE	TELEPHONE	NO	HH:MM	SW	X	Y
CAPS	AVERAGE	OTC	NO	HH:MM	SW	X	Y
CAPS	HISTORIC	TELEPHONE	NO	HH:MM	SW	X	Y
CAPS	HISTORIC	OTC	NO	HH:MM	SW	X	Y

4

METAL POSITION SWAP TRANSACTION

BROKER A   BROKER B

[INSERT NAME]   [INSERT NAME]

CUSTOMER A   CUSTOMER B

[INSERT NAME]   [INSERT NAME]

REFERENCE   REFERENCE

[BROKER A]   [BROKER B]

<div align="center">TRADE DETAILS</div>

METAL   LOTS

PROMPT   PRICE PER TONNE

STATEMENT

I confirm that [Customer A] is a direct customer of ours, is a commercial user of the metal concerned and has given us written instructions regarding the above metal position swap transaction. I confirm that we have no reason to doubt that the transaction above is not in breach of LME Rules and Regulations or other appropriate legal obligations.

BROKER A   CUSTOMER A

[Name]   [Name]

[Signature of authorised   [Signature of authorised
Representative]   representative]

STATEMENT

I confirm that [Customer B] is a direct customer of ours, is a commercial trade user of the metal concerned and has given us written instructions regarding the above metal position swap transaction. I confirm that we have no reason to doubt that the transaction above is not in breach of LME Rules and Regulations or other appropriate legal obligations.

BROKER B   CUSTOMER B

[Name]   [Name]

[Signature of authorised   [Signature of authorised
representative]   representative]

SHORT PRICE CODES

1   The use of the "S", "C" and "B" short codes has been compulsory for LME clearing members since 29 September 2008. The short price codes used to enter trades into LMEsmart are given in this section of the notice. Short price codes are a matching field.

2   LMEsmart will substitute price codes with the associated absolute values for matched trades not trade halves. Members are advised to use absolute prices instead of short price codes as soon as the relevant prices are available; a trade half with a price code will NOT match with a trade half containing the substituted absolute value for that price code.

3   Unmatched trade halves that contain price codes will be recycled with absolute values the following business day if members have opted for that functionality to be switched on in LMEsmart. Members who have chosen to have the recycled trades function set to 'off' in LMEsmart may re-enter unmatched trade halves the following day but with absolute prices. Price codes can only be used for trades executed on the current business day and NOT for past trade dates.

Settlement Price ("S") Code

4   Since 29 September 2008, it has been compulsory for clearing members that enter into Exchange Futures Contracts where the prices are based on that day's Settlement Prices to use the "S" short code in the price field when matching the trades irrespective of whether the trades are outrights or carries. Members may use "S" +/- an agreed premium or discount to the Settlement Price in the price field. LMEsmart will substitute the Settlement Price intraday for the "S" code plus or minus any premium or discount.

5   For carries, the "S" short code can only be used to enter the price for the Cash Prompt Date leg; for other legs of the carry, the amount entered is the relevant +/- (contango or backwardation) to the Settlement Price. LMEsmart will substitute the Official Settlement Price intraday for the "S" code and calculate the absolute values for all legs containing a price differential.

Closing Price ("C") Code

6   Since 29 September 2008, it has been compulsory for clearing members that enter into Exchange Contracts where the prices are based on that day's Closing Prices to use the "C" short code or the "B" short code in the price field when matching these contracts.

7   For an outright trade, the "C" short code is used where the price is based on that day's Closing Price for the relevant prompt date and commodity. Members may use "C" +/- an agreed premium or discount to the Closing Price for the relevant Prompt Date.

8   For a carry trade, the "C'" short code is used for each leg of a carry where the price for each leg is based on the relevant Closing Price for the Prompt Date of that leg. Members may use "C" +/- an agreed premium or discount to the Closing Price for the relevant Prompt Date. LMEsmart will substitute the Closing Price at the end of the day for the "C" code for the relevant Prompt Date and calculate the absolute values for all legs containing a price differential.

Basis the Closing Price ("B") Code

9   Since 29 September 2008, it has been compulsory for clearing members to use the "B" short code for a carry where the pricing basis for only one of the legs is the relevant Closing Price and the other legs are priced as a differential to the pricing leg.

10   The "B" code can only be used for the pricing leg of the carry and not for any of the other legs of the carry. The relevant contango or backwardation (+/-) should be the only input into the price field for other legs of the carry.

11   Members may use "'B" +/- an agreed premium or discount to the Closing Price for the relevant Prompt Date. If this is done, the pricing basis for each of the other legs will be the Closing Price of the pricing leg after adjustment for the premium or discount. LMEsmart will substitute the Closing Price at the end of the day for the "B" code and calculate the absolute values for all legs containing a price differential.

Yesterday's Settlement Price and Valuation Prices

12   In addition to the price codes "S", "C", and "B", LMEsmart will accept two new price codes "YS" for yesterday's Settlement Price and "V" for Valuation (previous night's Closing Price). Use of these price codes is not compulsory in LMEsmart.

13   As "YS" and "V" are the Official Settlement and Closing Prices for the previous business day, these prices are known to LMEsmart. These price codes will be substituted with absolute values upon acceptance into LMEsmart. The "YS" and "V" price codes are not a matching field. The trade time entered into LMEsmart for the "YS" and "V" price codes should be the actual time the trade is agreed.

Trade Times When Using Short Codes

14   The price codes "S", "B", and "C" allow trades to be matched without the need for members to wait for the Official Settlement and Closing Prices to be published. LMEsmart substitutes the short codes with the relevant absolute prices once they have been published. Prior to the introduction of short codes, members were advised to enter the time at which the relevant price was published as the trade time. That is no longer applicable and members should use the actual trade time as explained below:

15   **"S" short code**

a)   Trades agreed outside of ring or kerb sessions but using the "S" price short code should be input into LMEsmart with the absolute time the trade was agreed as the trade time.

b)   Trades using the "S" price short code agreed during a ring or kerb session should be input into LMEsmart using the appropriate time codes (i.e. a trade agreed during Ring 1 which uses the "S" price short code would be input with an R1 or C1 time code depending on the counterparty).

16   **"B" or "C" short code**

a)   Trades agreed outside of ring or kerb sessions but using the "B" or "C" price short code should be input into LMEsmart with the absolute time the trade was agreed as the trade time.

b)   Trades using the "B" or "C" price short code agreed during a ring or kerb session should be input into LMEsmart using the appropriate time codes (i.e. a trade agreed during Ring 3 which uses the "B" or "C" price short code would be input with an R3 or C3 time code depending on the counterparty).

MATCHING DEADLINES FOR TRADE TIMES AND TIME CODES IN LMEsmart

General

1   This Section contains details of the matching deadlines for trade times and time codes entered into LMEsmart.

2   For all trades entered into LMEsmart, the following should be noted:

a)   All trade times entered into LMEsmart must be UK time.

b)   Trades executed in other time zones must be converted into UK time and equivalent date before being entered into LMEsmart.

c)   Execution times must be recorded on source documentation.

d)   An LME contract (Exchange or Client) cannot be written for a Trade Date when the London Metal Exchange is closed. Trades executed on non LME Business Days are considered to be OTC contracts. These contracts can be brought on Exchange by subsequent registration in LMEsmart using the Trade Category OTC Bring On.

- LME rules define a "Business Day" as "any day except Saturday, Sunday or any public or bank holiday in England or a day during which trade on the Exchange has been suspended by or under the authority of any enactment or a day which the Directors declare not to be a Business Day."

- Trades entered into LMEsmart with a trade date that is not an LME "Business Day" will be rejected by the system.

Matching Deadlines for Timed Trades

3   Timed trades are:

a)   Exchange contracts executed by Category 1 members outside the ring and kerb sessions at current market or average current market prices. Trades conducted behind the ring or basis the mean of the closing prices of a ring must be matched as timed trades.

b)   All Exchange contracts executed by Category 2 and 3 members, other than those executed with Category 1 members basis a ring or kerb session at current market or average current market prices.

c)   All client contracts executed by Category 1,2, and 4 members other than client orders executed by Category 1 members basis ring and kerb prices.

d)   Timed trades are entered into LMEsmart using the **NORMAL** Trade Category with the Price Type field set to "Current" or "Average" and the Venue field set to "Telephone".

4   The execution time of all timed trades must be recorded on source documentation and entered into LMEsmart as the UK time of trade in the format HH:MM. Trades in other time zones must be converted to UK time and the equivalent date before being entered into LMEsmart. Unlike time code trades, the trade time field for timed trades is not a matching field in LMEsmart

5   Timed trades must be entered and matched in LMEsmart within the matching deadlines set out in Table 1 below:

Table 1

Time of Trade	Matching Deadline
19:30:01 - 24:00 (prior business day)	08:30
00:00:01- 08:00	08:30
08:00:01 – 19:30	30 minutes after the time of trade

6   All Client Contracts must be registered in LMEsmart within the deadlines set out in Table 2 below:

Table 2

Time of Trade	Registration Deadline
00:00:01 – 19:30	By 20:00 on the current business day
19:30:01 – 24:00	By 09:00 the following business day

Matching Deadlines for Cash Today ('TOM') Trades

7   **"**TOM" trades are Exchange and Client Contracts that are prompt the following business day. All "TOM" trades must be executed by 12:30 and matched or registered in LMEsmart by 13:30. Members can request an extension beyond 13:30 by contacting LME Matching Operations (Tel +44 (0)20 7488 2500; email lmematching@lme.com) but must seek permission by 13:15. Extensions are normally granted for 15 minute periods.

Matching Deadlines for Time Code Trades

8   Trades between Category 1 members executed in the rings and kerbs are entered into LMEsmart using the **NORMAL** Trade Category with the Price Type field set to "Current" or "Average" and the Venue field set to "Ring".

9   Trades between Category 1 members executed in rings 1-4 must be matched using the time code R1, R2, R3, or R4 as appropriate.

10   Trades between Category 1 members executed in kerbs 1-9 must be matched using the time code K1, K2, K3, K4, K5, K6, K7, K8 or K9 as appropriate.

11   Appendix C shows the times of each ring or kerb, the R and K time code applying to each, and the corresponding matching deadline. Trades between Category 1 members conducted in rings 1-4 and kerbs 1-6 at current market or average current market prices must be input and matched in LMEsmart within 30 minutes of the end of the relevant ring or kerb. Trades executed in kerbs 7-9 must be matched in LMEsmart by 17:45.

12   In all cases the R* and K* time code is an LMEsmart matching field.

13   Trades between Category 1 members and their customers, including other LME members and external customers but excluding other Category 1 members, that are executed basis prices traded in the rings and kerbs must be entered into LMEsmart using the **NORMAL** Trade Category with the Price Type field set to "Current" or "Average" and the Venue field set to "Basis Ring".

14   Trades executed by Category 1 members for their Category 2, 3, and 4 customers that are basis prices traded in rings 1-4 must be matched using the time code C1, C2, C3 or C4 as appropriate. Trades executed by Category 1 members for their Category 2, 3, and 4 customers that are basis prices traded in kerbs 1-9 must be matched using time code D1, D2, D3, D4, D5, D6, D7, D8 or D9 as appropriate.

15   Trades executed by Category 1 members for their external customers that are basis prices trades in rings 1-4 must be registered using the time codes C1, C2, C3, and C4 as appropriate. Trades executed by Category 1 members for their external customers that are basis prices traded in kerbs 1-9 must be registered using time code D1, D2, D3, D4, D5, D6, D7, D8 or D9 as appropriate.

16   Appendix C shows the times of each ring or kerb, the C and D time code applying to each, and the corresponding matching deadline. Trades between Category 1 members and their Category 2, 3, and 4 customers that are basis prices traded in rings 1-4 and kerbs 1-6 at current market or average current market prices must be input and matched in LMEsmart within 30 minutes of the end of the relevant ring or kerb. Trades executed basis prices traded in kerbs 7-9 must be matched in LMEsmart by 17:45.

17   In all cases the C* and D* time code is an LMEsmart matching field.

18   Trades executed by Category 1 members for their external customers that are basis prices traded in the rings and kerbs must be registered in LMEsmart according to the deadlines set out in Table 2 above.

19   The use of the R*, K*, C*, and D* time codes is restricted to trades entered into LMEsmart using the Trade Categories **NORMAL, REVERSAL**, **CORRECTION** and **EXCEPTION**.

20   C* and D* time codes are not currently available for use for trades between two Category 1 members where one member is acting as a customer, e.g. a Category 1 office team executing a basis ring trade with the floor team of another Category 1 member must record and enter the trade as a timed trade in LMEsmart.

MATCHING TIMES FOR MEMBER TO MEMBER DD TRADES

Ring 1		R1 Matching Deadline	Basis Trades C1 Matching Deadline
11:40-11:45	Steel	12:15	12:15
11:45-11:50	Aluminium Alloy/NASAAC	12:20	12:20
11:50-11:55	Tin	12:25	12:25
11:55-12:00	Primary Aluminium	12:30	12:30
12:00-12:05	Copper	12:35	12:35
12:05-12:10	Lead	12:40	12:40
12:10-12:15	Zinc	12:45	12:45
12:15-12:20	Nickel	12:50	12:50
12:20-12:25	Plastics	12:55	12:55
12:25-12:30	Interval		

Ring 2		R2 Matching Deadline	Basis Trades C2 Matching Deadline
12:30-12:35	Copper	13:05	13:05
12:35-12:40	Aluminium Alloy/NASAAC	13:10	13:10
12:40-12:45	Tin	13:15	13:15
12:45-12:50	Lead	13:20	13:20
12:50-12:55	Zinc	13:25	13:25
12:55-13:00	Primary Aluminium	13:30	13:30
13:00-13:05	Nickel	13:35	13:35
13:05-13:10	Steel	13:40	13:40
13:10-13:20	Interval		

Kerbs (1-6)	Trades With RDMs	Kerb Matching Deadline	Trades With Non-RDMs	Basis Trades Kerb Matching Deadline
13:20-13:30	K1	14:00	D1	14:00
13:30-13:45	K2	14:15	D2	14:15
13:45-14:00	K3	14:30	D3	14:30
14:00-14:15	K4	14:45	D4	14:45
14:15-14:30	K5	15:00	D5	15:00
14:30-14:45	K6	15:15	D6	15:15

Ring 3		R3 Matching Deadline	Basis Trades C3 Matching Deadline
14.55-15.00	Aluminium Alloy/NASAAC	15:30	15:30
15:00-15:05	Lead	15:35	15:35
15:05-15:10	Zinc	15:40	15:40
15:10-15:15	Copper Grade A	15:45	15:45
15:15-15:20	Primary Aluminium	15:50	15:50
15:20-15:25	Tin	16:55	15:55
15:25-15:30	Nickel	16:00	16:00

Ring 4		R4 Matching Deadline	Basis Trades C4 Matching Deadline
15:30-15:35	Steel	16:05	16:05
15:35-15:40	Plastics	16:10	16:10
15:40-15:45	Lead	16:15	16:15
15:45-15:50	Zinc	16:20	16:20
15:50-15:55	Copper	16:25	16:25
15:55-16:00	Primary Aluminium	16:30	16:30
16:00-16:05	Tin	16:35	16:35
16:05-16:10	Nickel	16:40	16:40
16:10-16:15	Aluminium Alloy/NASAAC	16:45	16:45

Kerbs (7-9)	Trades with RDMs	Kerb Matching Deadline	Trades with Non-RDMs	Basis Trades Kerb Matching Deadline
16:15-16:30	K7	17:45	D7	17:45
16:30-16:45	K8	17:45	D8	17:45
16:45-17:00	K9	17:45	D9	17:45

LONDON METAL EXCHANGE

------ From: Deputy Chief Executive

To:	Category 1 & 2 Members
Ref:	09/352 : A344
Date:	1 October 2009
Subject:	**DISTRIBUTION OF LMEselect DATA**

Summary

1   This notice sets out a change to the LME policy on the distribution by members of LMEselect data to their clients.

Background

2   A category 1 or category 2 member is permitted to distribute LMEselect data to its clients provided that the member enters into a sub-licence agreement and accompanying side letter (the "Sublicence Agreement") with the Exchange. One of the conditions in the Sublicence Agreement is that the member must have a written agreement with each relevant client that prohibits the client from re-distributing that LMEselect data.

New Policy

3   The LME Board has agreed that category 1 & 2 members may vary the Sublicence Agreement in order to permit a client to re-distribute LMEselect data subject to the member applying to the Exchange and executing a standard form amendment to the Sublicence Agreement.

4   The amendment to the Sublicence Agreement will contain terms and conditions, the most significant of which will cover the following points:-

(a)   the member will be obliged to notify the Exchange of the identity of each relevant client and must use the client identification functionality in LMEselect to identify all orders received from that client;

(b)   the member must undertake that it will at all times be in compliance with all local, legal and regulatory requirements regarding the arrangements that it has with each client that it permits to become a re-distributor of LMEselect data;
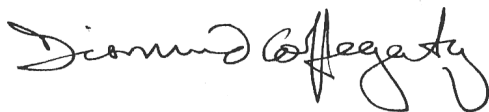
(c)   the member must pay to the Exchange the prevailing LMEselect data distribution fee in respect of each person to whom its client re-distributes LMEselect data;

(d)   the member must have a written agreement with its client that includes the following provisions:-

(i)   an undertaking that the client will have in place agreements with the persons to whom it re-distributes LMEselect data that prohibit those persons from re-distributing LMEselect data to any other person;

(ii)   a clear statement that only LME broker members may issue LME registered client contracts; and

(iii)   a confirmation from the client that, if it trades with sub-clients, those sub-clients have been made to understand that they do not receive LME registered client contracts.

5   Condition 4(a) above refers to the use of client identification functionality in LMEselect. With effect from 29 January 2010, each category 1 & 2 member will be required to populate the LMEselect client field (tag58) with a code produced by the member's own systems in order to identify the house or client account that generates an LMEselect order via the API (see LME notice 09/346). Members may need to implement this requirement early in order to comply with condition 4(a).

6   Members are reminded that the applicable fees for LMEselect data distributed to clients will be increased with effect from 1 January 2010.

Procedure

7   Category 1 & 2 members who wish to amend their Sublicence Agreement in order to avail of the new policy should apply to the LMEselect helpdesk by email to lmehelpdesk@lme.com or by phone on 020 7488 2500.

Diarmuid O'Hegarty

cc: Board directors

LONDON METAL EXCHANGE

---------From Executive Director: Regulation and Compliance

To: CATEGORY 1, 2, 3 & 4 MEMBERS

Ref: 09/397 : A389

Date: 2 November 2009

Subject: **MATCHING PERFORMANCE**

Summary

1   The threshold for identifying members who input telephone trades late into the LME matching system will be reduced from 15% to 12% in respect of trades input during January 2010 and subsequent months.

Identification threshold

2   In order to improve members' trade input performance the Exchange introduced a policy of identifying members whose late performance in inputting current market price member-to-member telephone trades into the LME matching system was above a certain threshold. The initial identification started with a late-input threshold of 30%. Over time, the plan was to reduce the threshold to 10%. The identification threshold was reduced to 20% in respect of trades input during November 2007 and reduced to 15% in respect of trades input during March 2009.

3   In response to representations made by members in 2008, the Exchange agreed that it would reconsider the plan to reduce the threshold to 10%. The Exchange has decided to reduce the threshold, for the foreseeable future, to 12% in respect of trades input from 1 January 2010.

Analysis

4   The performance figures for the period 1 June 2009 to 30 September 2009 show that the total percentage of late matched relevant trades was consistently below the 15% threshold: 12.55% in June, 11.67% in July, 12.75% in August and 10.91% in September. The Exchange's policy is to get the total percentage of late matched relevant trades below 10%.

5   There are three factors that the Exchange believes will help achieve this policy:-
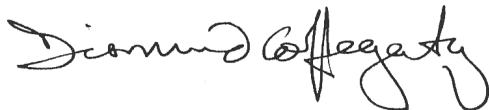
(a)   reducing the identification threshold to 12%;

The London Metal Exchange Limited 56 Leadenhall Street London EC3A 2DX
Telephone: +44 (0)20 7264 5555 Fax: +44 (0)20 7680 0505 info@lme.com
www.lme.com

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(b)   concentrating attention on those members whose late input performance contributes materially to the total percentage of late matched trades; and

(c)   improved functionality in LMEsmart for members to monitor daily their own input performance.

6   The late input performance of a member with a large volume of trades will have a more material effect on the total percentage of late matched trades. The Exchange believes it is appropriate to concentrate its attention on those members whose late input performance has a more material effect on the total percentage of late matched trades. However, it remains an equal obligation on all members to have systems and procedures designed to ensure the timely input of trades.

7   LMEsmart has been designed to enable each member to monitor its own daily input performance. The Exchange's experience has been that members who monitor their own input performance daily have a better chance of identifying weaknesses in their own processes.

8   Members who have any queries about input performance should contact LME Market Surveillance at market.surveillance@lme.com

Diarmuid O'Hegarty

cc: Board directors

LONDON METAL EXCHANGE

To: All members, SWORD non-member account holders,
           Warehouse companies and their London agents

Ref: 10/082: A077: W035

Date: 23 February 2010

Subject: **Rent Payment March 2010**
_____

As members and SWORD participants will be aware, any outstanding rent due on LME warrants will have to be paid by 31 March 2010.

It has become evident that in previous years some employees tasked with organising rent payment have been unaware of the procedures and information outlined in this notice. It is the responsibility of the person receiving this notice to ensure that it is passed on to those directly involved in rent payment.

Any in-depository warrants which have not been electronically endorsed as rent paid in SWORD by the close of 31 March 2010 cannot be transferred as cleared or ex-cleared in SWORD until such endorsement is made.

Members are expected to ensure that all warrants that are the subject of a cleared transfer instruction through SWORD on 31 March 2010, have been endorsed as rent paid up to and including 31 March 2010.

Members are reminded that advance payment of rent is acceptable in SWORD. If such warrants are cleared before 31 March 2010, SWORD will credit the seller with the appropriate amount of rent.

Any out of depository warrants which have not been electronically endorsed as rent paid in SWORD by the close of 31 March 2010 cannot be lodged with the depository until such endorsement is made.

Members must pay any outstanding rent in a timely manner to ensure that funds are received by warehouse agents before bank closing times.

On 31 March 2010 Warehouse agents will only accept warrants for rent payment after 12.00 at their discretion.

Members are reminded of their obligations in respect of rent payments by referring to Notice 96:019, a copy of which is attached.

Should members receive rent unpaid warrants through clearing on the 31 March 2010 they must check with the London Agent that the rent has not already been paid before remitting the money themselves. This is essential in order to avoid double payment and a lengthy process of re-claiming funds.

Warrant Endorsement - In Depository Warrants

The rent calculation function will allow SWORD account holders and warehouse agents to perform the following steps to ensure the successful endorsement of in depository warrants without the need to withdraw the warrants from the depository:

- The account holder can generate a report containing details of the warrants to be endorsed and the total amount of rent due on those warrants up to and including 31 March 2010. This report will be by warehouse agent, warehouse company, location and metal.

  Account holders can also request a similar report by SWORD account and metal.

- The account holder can then generate an upload file containing details of the warrants to be endorsed.

- The account holder must transmit to the warehouse agent a copy of the report and the upload file. The upload file can either be sent via e-mail or on a floppy disc, as can the report which could alternatively be printed. **A warehouse agent will only accept a file generated by SWORD, which is in a .txt format.**

- The warehouse agent will process the upload file and submit the warrants to the rent calculator. The warehouse agent can then generate a report containing details of the warrants to be endorsed and the total amount of rent due on those warrants.

- If the totals on the warehouse agents copy of the report match the totals on the account holders copy of the report then the warrants listed in the upload folder can be endorsed by the warehouse agent thereby updating the electronic record of the warrants in SWORD.

Thus rent payment and endorsement of in depository warrants will be achieved without the need for withdrawal and physical handling of the warrants.

Warrant Endorsement - Out of Depository Warrants

1.   For SWORD Account Holders

The rent calculation function will allow SWORD account holders and warehouse agents to perform the following steps to ensure the successful endorsement of out of depository warrants:

• The account holder can scan all of their out of depository warrants into the scanned warrants folder.

• From the scanned warrants folder the account holder can generate a report containing details of the out of depository warrants to be endorsed and the total amount of rent due on those warrants up to and including 31 March 2010. This report will be by warehouse agent, warehouse company, location and metal.

    It is recommended that a warehouse agent does <u>not</u> use upload files to endorse out of depository warrants, even though SWORD would permit it.

• The account holder will send the warehouse agent their out of depository warrants and a copy of their report.

• The warehouse agent will scan all of the out of depository warrants presented to them into the scanned warrants folder.

• From the contents of the scanned warrants folder, the warehouse agent can generate a report containing details of the out of depository warrants to be endorsed and the total amount of rent due on those warrants.

• If the totals on the warehouse agent's copy of the report match the totals on the account holder's copy of the report then the warrants in the scanned warrants folder can be endorsed by the warehouse agent thereby updating the electronic record of the warrants in SWORD. The physical stamping of the presented warrants will still be required.

2.   For Non SWORD Account Holders

    Non SWORD account holders must still prepare a list of warrants to be endorsed and calculate the rent owed on these warrants. The non SWORD account holder will send the warehouse agent a copy of the list and their out of depository warrants. The warehouse agent will then follow the same procedure as for out of depository warrants for SWORD account holders.

Rent Lists

Due to SWORD calculating rent accrued on all LME warrants, warehouse companies are not expected to send members lists of warrants showing outstanding rent.

If you have any queries, please do not hesitate to contact LME Physical Operations on 0207 264 5555**.**

AB Jeffery
Warehouse Audit Manager

cc: Board directors

LMEsword Operating Procedures

31 March 2010

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Background

In 1999, as part of the original SWORD project, the Exchange appointed LCH.Clearnet to manage, operate and host the SWORD computer system. LCH.Clearnet executes a role as a regulated body in the provision of settlement and delivery services to all members of the Exchange. The system and the associated settlement and delivery business processes have been operated by LCH.Clearnet since that date.

In Q4 2007 a study evaluated the options available for the Exchange with respect to the future of the LMEsword system and recommended that the Exchange moves to retain responsibility for the LMEsword computer system. It also recommended that LCH.Clearnet should retain its core responsibility for carrying out clearing functions associated with the delivery of Warrants. The Board agreed to adopt the recommendations of the study at its January meeting and approved the initiation of the project.

Purpose of this document

These LMEsword Operating Procedures supplement the LMEsword Regulations, which govern the use of the LMEsword system.

The Operating Procedures are directed at persons connected to the System (a "User"), to enable them to perform the functions that are expected of them as a User of the System. The Operating Procedures are intended to take a User through each function they can perform. They do not, however, describe the use of the computer System in detail.

The Operating Procedures cover functions for Account Holders, London Agents and the Depository.

The major functions covered include:

- Administering LMEsword Users;
- Creating and amending electronic Warrant records (both new and existing);
- Printing Warrants from the electronic records held within the System;
- The cancellation of electronic Warrant records;
- Notification of when product take up has taken place;
- The provision of Warehouse stock information to the Exchange;
- The endorsement of electronic records of Warrants with rent/storage rate payment details;
- Managing LMEsword Accounts;
- Lodging Warrants at the Depository;
- Transferring Warrants between Account Holders;
- LCH.Clearnet Limited (the Clearing House) cleared deliveries;
- Withdrawing Warrants from the Depository; and
- Interfacing between LMEsword and other systems.

The LMEsword functions are provided to Users through a System, which is referred to as LMEsword.

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How this document works

Document Layout.

The exchange has produced an illustration rich operating guide to help the reader gain confidence in the new LMEsword system.

Each section is split into functional areas of the system. Some areas are applicable for all users; some areas are applicable to one participant group or a number of participant groups.

General Concepts

LMEsword also simplifies and clarifies a number of business processes which were established in the previous version of the system. New approaches to support the same business process have been adopted in LMEsword and they are discussed in detail in section *General Concepts for Instructions*

The start of each section

Each section will start with the following:

- diagram to illustrate the part of the system covered by the document section
- guidance to who the intended audience is for the section

Status of the Operating Procedures

In the event of a conflict between the Operating Procedures and the LMEsword Regulations, the LMEsword Regulations shall prevail.

Amendment

The Operating Procedures may be amended from time to time in the same way as the LMEsword Regulations. Any sections of the Operating Procedures that contain amendments are updated and put onto the LMEsword website under the Help menu.

Application

The Operating Procedures apply to all persons subject to, and who have agreed to be bound by, the LMEsword Regulations.

Interpretation

Words and expressions defined in the LMEsword Regulations shall have the same meanings in the Operating Procedures. Regulation 12.2 of the LMEsword Regulations shall apply to the Operating Procedures in the same way as it applies to the LMEsword Regulations.

Online Help Facility

This document will act as the on-line help documentation.

Joining Process

It is important to all those involved in handling Warrants that Users of LMEsword operate the System correctly, in accordance with the LMEsword Regulations. LMEsword accreditation aims to ensure that this is the case.

Accreditation is a prerequisite to an organisation becoming an LMEsword Participant and using LMEsword. Accreditation requires the organisation to:

a. Ensure that a minimum of two appropriate individuals from the organisation attend the LMEsword training course;

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b. Agree to abide by the LMEsword Regulations and operating procedures, including signing the appropriate software and communication licence agreements; and

c. When required, successfully complete the LMEsword structured tests.

d. Structured testing is designed to ensure that:

- The technical set-up is performing correctly at the Participant's offices; and

- The LMEsword training has been understood and the prospective Users of the System are familiar with its operation.

Persons attending the training course are expected to have prior general knowledge of the use of Windows® and internet browser based systems.

Clearing Members

LME Clearing Members do not have to apply to join LMEsword. LMEsword is an integral part of the Clearing delivery mechanism, therefore membership is an integral part of LME Clearing Membership.

LME Clearing Members may elect to allow a third party to operate LMEsword on their behalf. In this instance they are required to enter into a standard Remote Participant Agreement with the third party and lodge a copy of the executed agreement with the Exchange. The third party must be an LMEsword Participant in their own right.

Non Clearing Members and Non Member

Non Clearing Members of the LME and other non Members, such as financing banks, may, optionally, apply to join LMEsword as a Participant. Participants in these categories may connect directly to LMEsword or elect to connect through a third party, using the mentioned Remote Participant Agreement.

Each organisation must apply to the Exchange to become an LMEsword Participant. Application forms and copies of the Remote Participant Agreement can be obtained from:

The Physical Operations Department
London Metal Exchange
56 Leadenhall Street
London
EC3A 2DX

Initial User Registration

Nominated Security Officer(s)

The Security Officer is responsible for managing users within LMEsword and TrustCenter for the users from their own organisation.

The Security Officer must observe the following Rules:

a. Only create new User ids on the authorisation of an appropriate officer of the company (who must not be the new User);
b. Only allocate the level of privilege and access that has been authorised;
c. Suspend User ids of Users who are absent for extended periods;
d. Re-instate User ids when necessary (after appropriate procedures have been followed, according to the circumstances that preceded the original suspension of the User id);
e. Reset User passwords securely, as necessary;
f. Securely maintain a record of all current Users and their level of privilege and access to functions;
g. Assist the LME periodically to revalidate the current Users and their levels of access to LMEsword.
h. The Security Officer must follow secure local procedures for the creation and management of User ids and passwords within the Participant organisation.
i. The following basic procedures must be adapted for the circumstances of individual organisations.

At least annually the LME will send each LMEsword Participant a copy of all their current active Users of LMEsword. The Security Officer must verify that all the current Users still need the level of access they have been provided. Any necessary changes to reduce the level of access that have been identified must be made by the Security Officer.

LME Helpdesk

The Security Officer accounts will be set up by the LME. Password resets for these accounts will be managed by the LME Help Desk as needed.

LMEsword Security and User Administration

The Security and User Administration of LMEsword is documented in detail in LMEsword Security and User Administration Procedures v1.0 which is available on the LMEsword Project Extranet website.

Scope of document
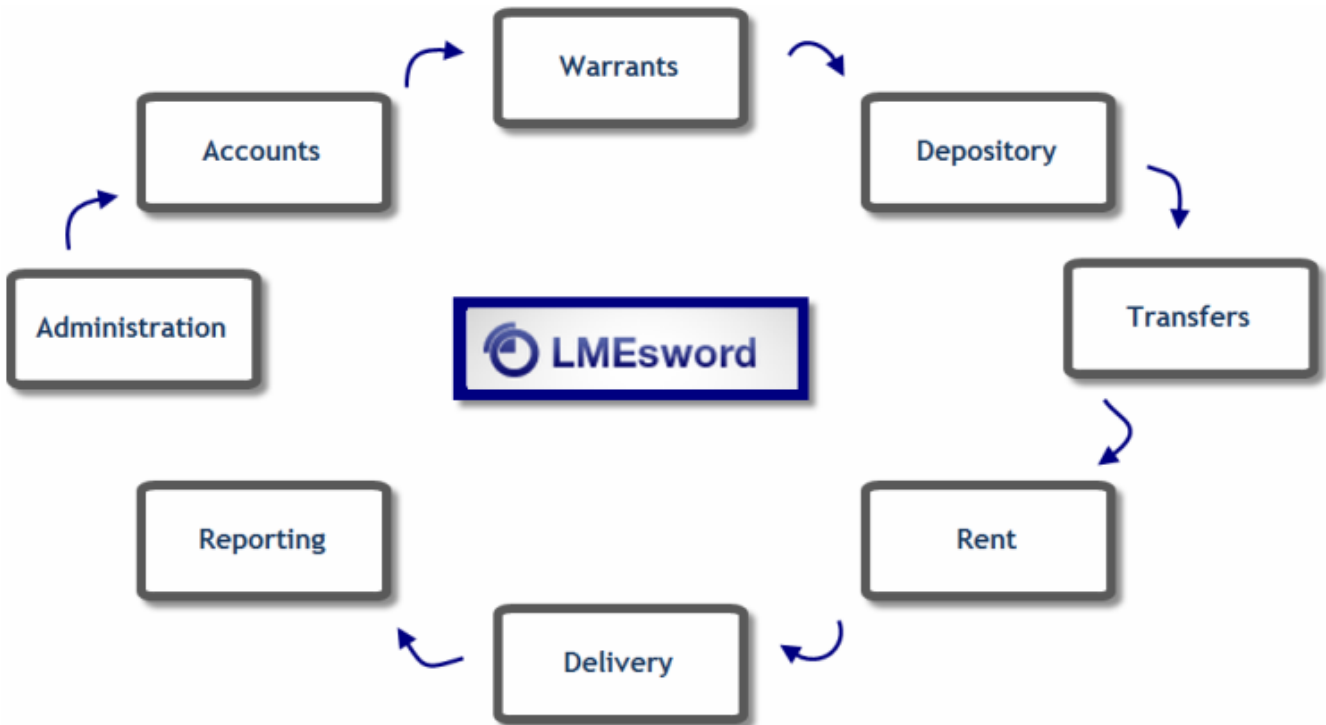
Not in scope of this document

LMEsword System Administration will be documented in an internal facing document for the LME Helpdesk team and all participant security officers.

Related Documentation

    a.   LMEsword Security and User Administration Procedures

How do I access the LMEsword system?

User login and certification

LMEsword user account authentication is more secure but much easier to use than the previous version of Sword.
All users will be issued with a TrustCenter Digital Certificate from their respective security officers. This certificate will be issued as an e-mail which will invite the user to install the certificate.

Each digital certificate is unique and is issued as one per user per e-mail address. If a user requires access to the test environment they will require a separate certificate which their security officer could issue for them. Failing that contact LMEHelpdesk on lmehelpdesk@lme.com

n.b. The LME supports LMEsword in Microsoft Internet Explorer versions 6 and 7 only.

    a. After selecting the LMEsword web address you may be presented with a **Alert window –** select <**Yes**>
    b. The LMEsword login window is then displayed. Enter your **username** and **password** – you will find these **on your LMEsword e-mail sent to you during your account setup.**

LME-001310
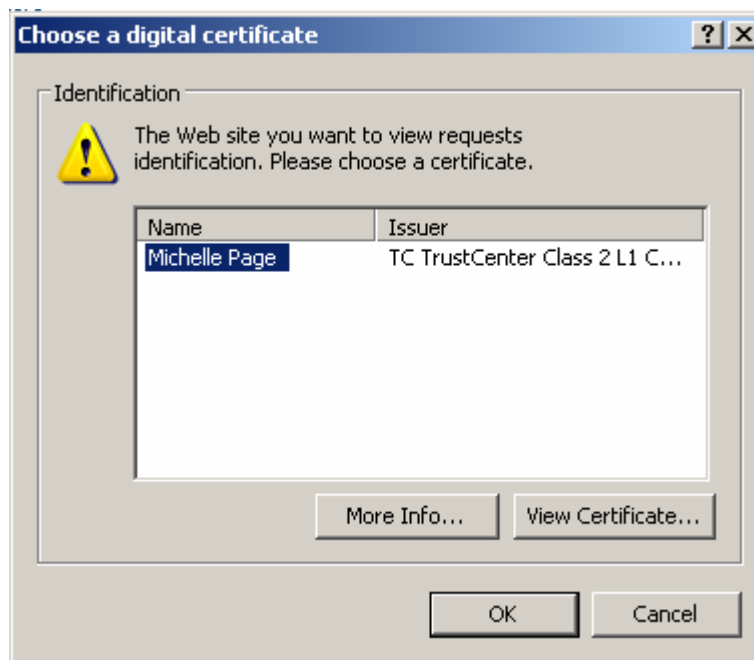
Access to this computer and network is restricted to persons and programs authorised by the London Metal Exchange. Unauthorised Access is prohibited and is wrongful under law. Do not proceed if you are not authorised.

User Name: [   ]

Password: [   ]

[Log In]

LONDON METAL EXCHANGE
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56 Leadenhall Street, London, EC3A 2DX, UK

Change Password – performed by all users of the system

Select **Admin → Change Password**
   a. Enter current (old) password
   b. Enter new password – **at least** 8 characters long
   c. Confirm new password
   d. LMEsword provides a system message on screen confirming that the action was successful

Password Expiry

A user defined LMEsword password will last 30 days.
A system generated password which is issued when a Security Officer resets a password will last 24 hours only.

Resetting your password

   a. If you have 3 unsuccessful login attempts on LMEsword your user account will be locked out from any further login attempts
   b. You must contact your local LMEsword Security Officer who can reset your password and unlock your account.
   c. If your password is reset you will receive an e-mail with your new system generated password.

New LMEsword Password

LME Admin [lmesword@lme.com]

Sent: 18 March 2010 09:29
To: Tahseen Hussain

Your new LMEsword password is L_ZP}%@(;l41 Log onto https://sword.lme.com/lmesword/ within 1 day and change your password or your user account will be suspended.

Done   Unknown Zone (Mixed)
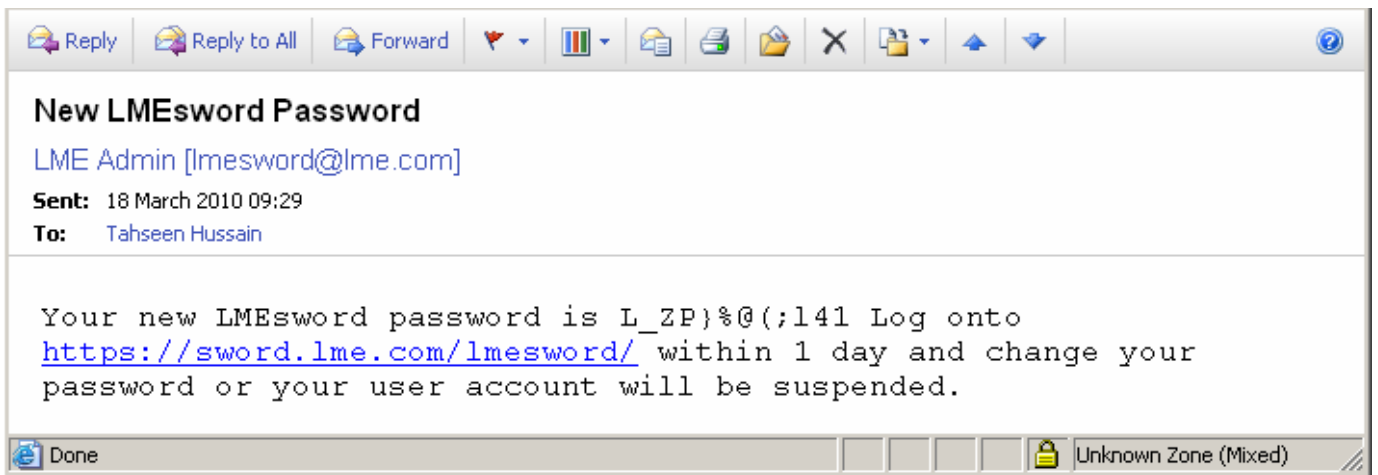
When you log in with this password you must change your password straightaway.

n.b. You must change your password as the system generated password will expire after one day.

Logging off the system

It is common and good practise to log out of LMEsword after you have completed your tasks.
Failing logging out of the system LMEsword will log out your account after 30 minutes of inactivity.

Administration
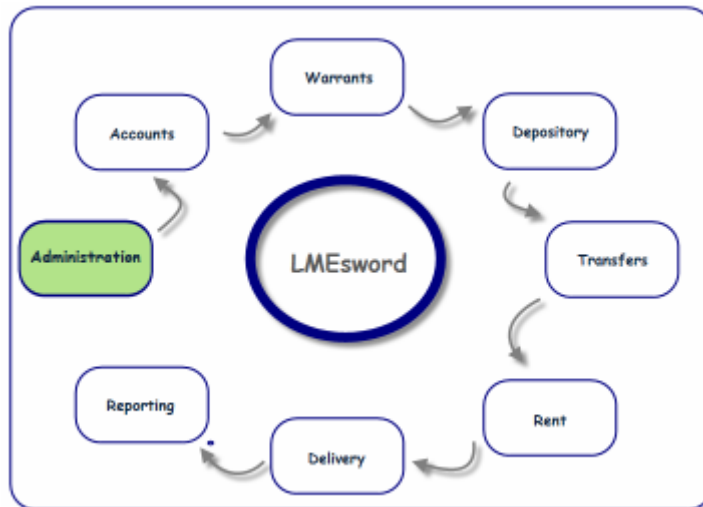
This section in the operating procedures guide illustrates how an approved Security Officer would manage LMEsword on behalf of their organisation and the users from that organisation. *n.b.LME specific administration procedures are documented in a separte document.*

This is an excerpt from the LMEsword Security and User Administration document.

Menu Path – Admin → User Administration

View all users in the system

   a. Log onto LMEsword as normal
   b. Select **Admin → User Administration**
   c. View all LMEsword users from your organisation

Create a New User account

   a. Log onto LMEsword as normal
   b. Select **Admin → User Administration** – view all users in the system
   c. Select **<New>** button
   d. Enter mandatory information as a minimum in order to create a new user
      i. User Name, First Name, Last Name, Phone, Email, User Groups, Active status
      ii. Organisation Type and Organisation are predefined by the LME
      iii. Add extra information where appropriate to your organisation
   e. Select <Create User> button to commit the creation to the LMEsword system
      i. LMEsword displays system message after user created successfully

   f. **Optional step** – select the <**Clear**> button to clear all details from the screen
   g. **Optional step** – select the <**Cancel**> button to leave the new user window with nothing saved

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Amend a user account

a. Select a user via the corresponding check box on the user summary page
b. Select the [Amend] button from the main User Administration Menu bar
c. Change data within the Amend User screen
d. Select <**Save**> - changes now saved within the user record
e. **Optional step** – select the <**Clear**> button to clear all details from the screen
f. **Optional step** – select the <**Cancel**> button to leave the new user window with nothing saved

Activate or Suspend a User account(s)

The Security Officer must be contacted and asked to suspend a user account. In the absence of the Security Officer the LME Helpdesk will be able to suspend user accounts in an emergency. This will only be done following verification of the request by a second User at the LMEsword Participant organisation. *This request should be made via e-mail from an authorised person to the LME Helpdesk*. Suspended user accounts will need to be reinstated on the System by the Security Officer before they can be used again. The Participant organisation must ensure that their procedures for reinstatement of Users enforce this practice.

a. Select a user via the corresponding check box on the user summary page
b. Select the [Activate] or [Suspend] button from the main User Administration Menu bar
   i. LMEsword provides a system message confirming that the action was successful
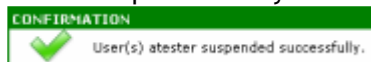
c. **Alternative step** – select user, select <**Amend**>, select [⊙ Activate ○ Suspend] then <**Save**>

d. You may see a system message indicating that LMEsword is processing your request, please be patient and wait for
   the action to complete.
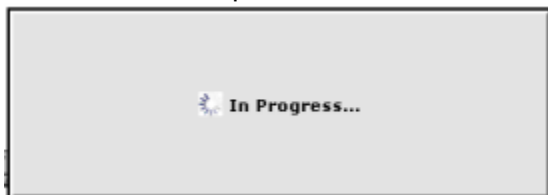
e. If a user has been suspended LMEsword will indicate this in the "*Suspended*" column

Reset Failed Login Attempts(S)

a. Select a user that requires a reset via the corresponding check box on the user summary page

b. Select the [Reset Failed Login Attempts] button from the User Administration Menu bar.
   i. LMEsword provide a system message confirming that the action was successful

c. The <**Failed Login**> column will reset back to '**0**'

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Reset a User account password(S)

a. Select a user that requires a reset via the corresponding check box on the user summary page

b. Select the [Reset Password] button from the User Administration Menu bar.

    i. LMEsword provides a system message confirming that the action was successful

CONFIRMATION
Password Reset successfully for user(s) thussain.
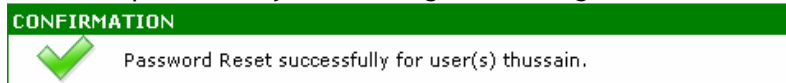
c. An e-mail is sent to the user with a system generated password.

LMEsword Login details. - Message (Plain Text)

File Edit View Insert Format Tools Actions Help

Reply | Reply to All | Forward

From: LME Admin [lmesword@lme.com]   Sent: Wed 11/11/2009 14:30
To: Tahseen Hussain
Cc:
Subject: LMEsword Login details.

A user has been created on LMEsword. After installing your Trust Center Certificate log onto www.lmesword.com with the following details:
Username: thussain
Password: MUJB|8FUGm28
The password will expire in 1 day. Change the password once you have logged into the site or your user account will be suspended.

---

n.b. You must change your password as the system generated password will expire after one day.

New LMEsword Password - Message (Plain Text)

File Edit View Insert Format Tools Actions Help

Reply | Reply to All | Forward

From: LME Admin [lmesword@lme.com]   Sent: Wed 11/11/2009 14:31
To: Tahseen Hussain
Cc:
Subject: New LMEsword Password

Your new LMEsword password is Q.>8-L%[qq50. Log onto www.LMEsword.com within 1 day and change your password or your user account will be suspended.

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Sort User Results Screen by column heading

Each column heading in the User Administration main screen is a link. If you select the link the table of users will be sorted by that value in ascending or descending order – (re-click for alternative order).

E-mail user via e-mail address in results screen

Selecting the e-mail address in the <**Email**> column for each user will open an e-mail message window with the user e-mail address in the **to:** field.

Accounts
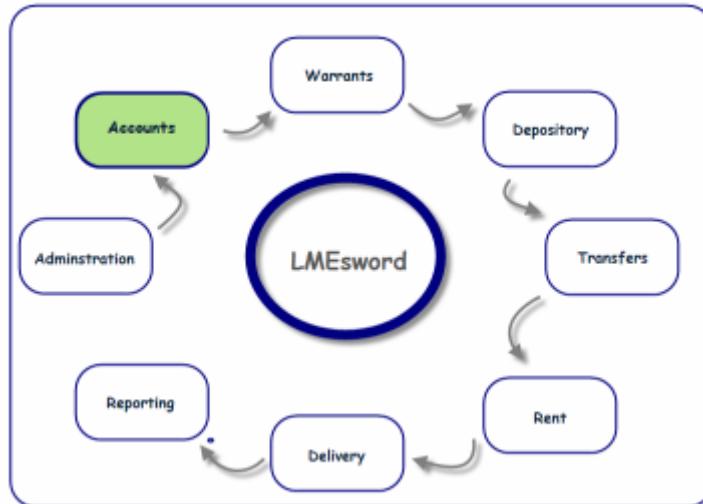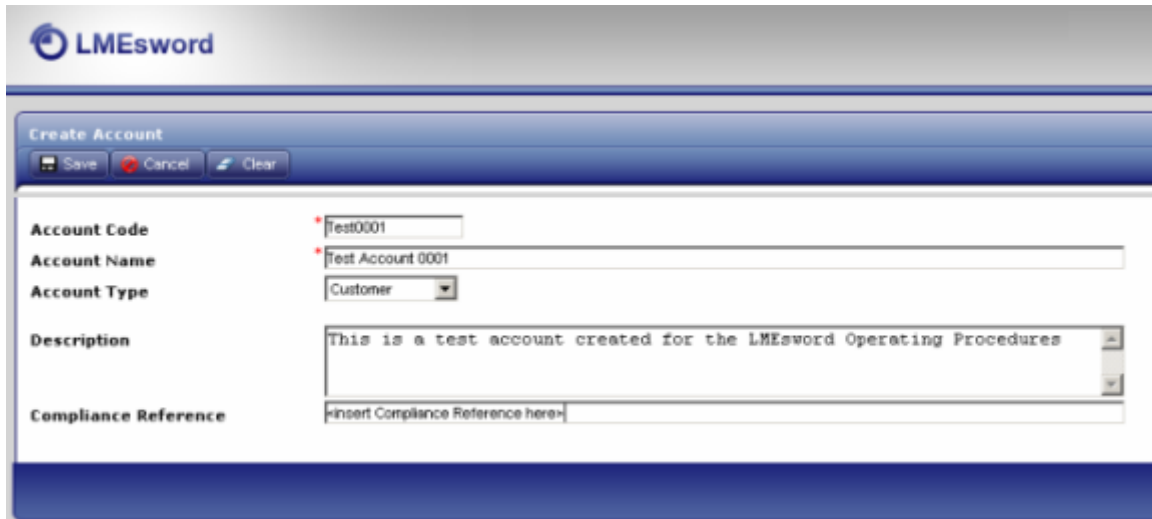
This section in the operating procedures guide illustrates how an approved user with Creator-Authoriser status would create and manage accounts within their own organisation. *N.b. if you are an approved Creator-Authorisor user but cannot see the account management section please contact your Security Officer; failing that please contact the LME on lmehelpdesk@lme.com*

Menu Path – Admin → Account Management

LME-001318

Account – create an account

An Account Holder can create as many Accounts as required to facilitate their own business as long as the Accounts are created in accordance with the LMEsword Regulations. Account Holders can create, amend and delete Accounts without the need for dual authorisation.

a. Go to Admin → Account Management – Summary list of all accounts within the organisation will be displayed
b. Select [New] → <**Create Account**> window appears

c. Enter Mandatory Information:
    i. Account Code:
    ii. Account Name:
    iii. Account Type: Customer/House
d. Enter optional Information:
    i. Description:
    ii. Compliance Reference:
e. Select <**save**> to save details and create the new account
f. Optional step: select <**cancel**> to exit the <Create Account> window without saving any changes
g. Optional step: select <**clear**> to clear all data in the <**b** Account> window

The distinction between House and Customer Accounts is required because Account Holders who hold Warrants for their segregated customers need to be able to hold those Warrants separately from their own.

There are no facilities for creating an Account hierarchy, other than between House and Customer Accounts i.e. it is only possible to create one level of Account beneath the House and Customer level.

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Account - delete an account

The following **restrictions** apply when deleting an Account:
   a. a mandatory Account cannot be deleted;
   b. an Account in which Warrants are held cannot be deleted; and
   c. an Account cannot be deleted
         If it is the destination Account in an active Warrant Lodge Instruction,
         If it is the destination Account in an active Ex-Cleared Transfer Instruction, or
         If it is the destination Account in an active Inter-Account Transfer Instruction.

   d. Go to Admin → Account Management – Summary list of all accounts within the organisation will be displayed
   e. Select the account you want to delete by checking the corresponding checkbox
   f. Select the [Delete] button at the top of the screen the following window will appear:

   g. select <**OK**> to confirm the deletion / select <**Cancel**> to halt deletion
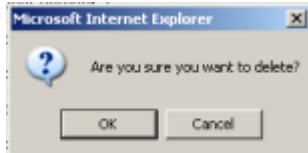
   h. Once deleted you will see the following message:

   i. If you attempt to delete an account with active warrants associated with it you will receive the following

   message:
   "Account can not be deleted. Warrants exist for this account"

   j. **Mass account deletion:** select more than one checkbox and select [Delete] - follow same process

Account - Amend - amend account details

a. Go to Admin → Account Management – Summary list of all accounts within the organisation will be displayed
b. Select the account you want to amend by checking the corresponding checkbox
c. Select the [Amend] button at the top of the screen, the <**Amend Account**> window will appear
d. Make necessary change to the account, select the [Save] button

e. The following message will appear
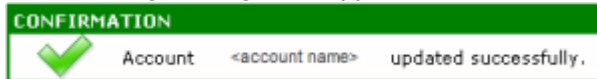
f. **Error message:** If you select a Mandatory account for amendment you will see the following system message
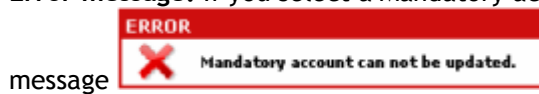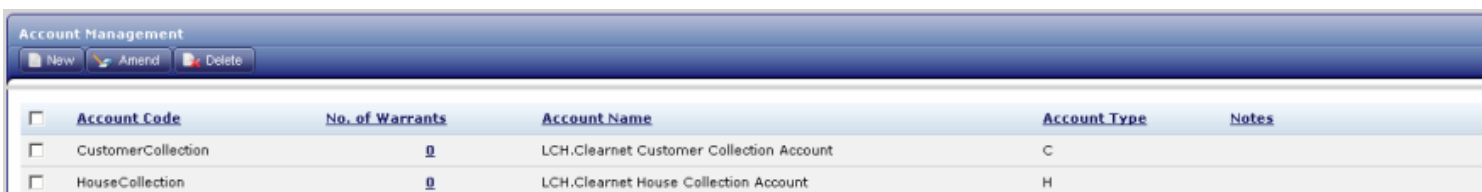
g. Optional step: Select [Cancel] to exit <Amend Account> window without saving any amendments
h. Optional Step: Select [Delete] to delete the account (possible in an amendment process)

Mandatory Accounts

Mandatory Accounts for LME Clearing Members, required for the facilitation of cleared transfers, are set up automatically by the System. The Accounts are:
   a. LCH House Collection Account; and
   b. LCH Customer Collection Account.

Account Code	No. of Warrants	Account Name	Account Type	Notes
CustomerCollection	0	LCH.Clearnet Customer Collection Account	C	
HouseCollection	0	LCH.Clearnet House Collection Account	H	
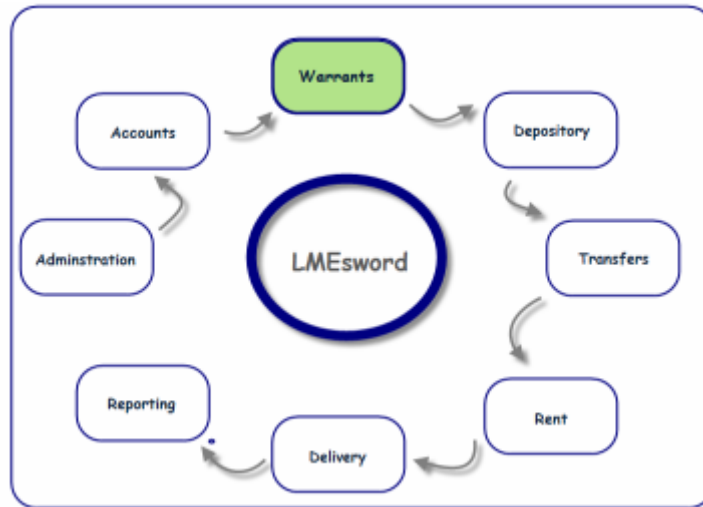
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Warrants

This section in the operating procedures guide illustrates how an approved user from a Warehouse Agent can create, cancel, remove and re-issue warrants and Member and Non-Clearing Member Organisations can endorse, lodge, withdraw and transfer warrants *N.b. if you are an approved user for any part of the Warrant process but cannot see the Warrant section please contact your local administrator; failing that please contact the LME on lmehelpdesk@lme.com*
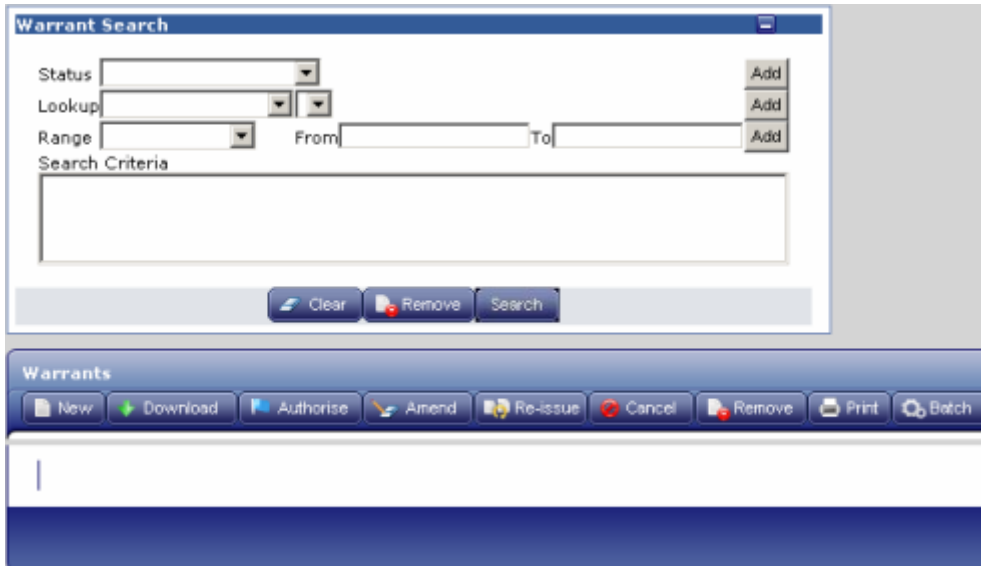
Warrant Menu view dependent on your defined system access

Create a Warrant

a. Go to Warrant → Create – Summary list of all warrants within the organisation will be displayed
b. Select <New> to create new warrants
c. Enter the number of warrants you would like to create
d. Enter the First Warrant Number for the group being created i.e. Warrant1 to Warrant25
e. The Creation Type field will default as "*New*" if you are creating a new warrant
f. Enter product associated to the warrant. See list below which is also available by selecting the button at the end of the <**Product**> field – see fig *n*
g. **Optional:** select the <**Product Spec**> – this field is dependant on the product chosen – see matrix in this section
h. Select <Shape> - some products may have only one shape available so will be selected by default
i. Select <Package Type> - some products may have only one package type available so will be selected by default
j. Select <Warehouse Company> - select button at the end of the field for detailed description
k. Select <Warehouse> - select button at the end of the field for detailed description
l. Select <Location>
m. Select <Issuing Number>
n. Select <Brand>
o. **Non-mandatory field:** Select <Country of Origin>
p. Select <Certificate of Analysis Reference>
q. **Plastic Specific:** Select <Production Date>
r. **Plastic Specific:** Select <Warehouse Arrival Date>
s. **Plastic Specific:** Select <Packing List Date and Number

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Create more than one Warrant at one time

    a.   It is possible to create more than one warrant with the same details at the same time.

    b.   Enter the total number of warrants in the "*Number of Warrants*" field

    c.   Enter the "*First Warrant No*" this entry will be the first in the series being created

Fig n.n The warrant search screen with all important fields

Authorise a Warrant – *requires a user with supervisor role privileges*

Changes status of new Warrant from <Unauthorised Create> to <Authorised Create>
Search for your warrant; *recommended method – Status: Unauthorised Create*
Select your warrant(s) by checking the corresponding checkbox

Select

Option 1 – if you as a supervisor attempt to authorise an item created by someone else you will be shown the window below.

Option 2 – if you select <authorise> for an item you created you will be prompted to ask someone else to authorise.

The warrant will successfully become authorised: the status will be changed to "*Authorised Created*".

Warrants

| New | Download | Authorise | Amend | Re-issue | Cancel | Remove | Print | Batch |

CONFIRMATION

✓ Warrants authorised successfully.

	Warrant No	Warrant Id	Product	Status
☐	TH0002	3976592	AA	Authorised Create
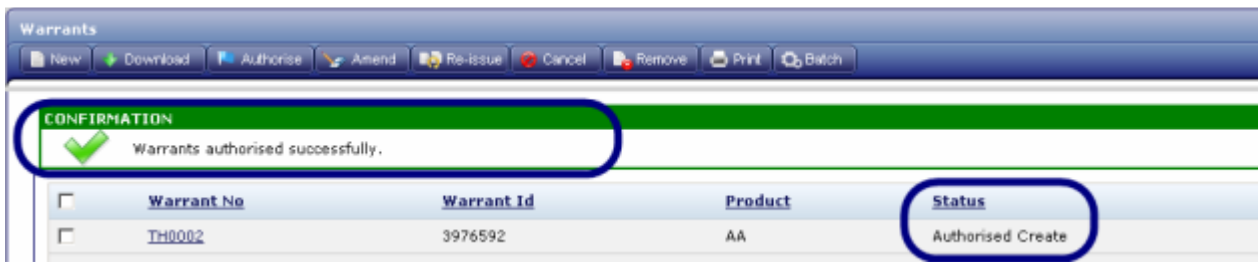
Optional step: Select [Reject] to reject the authorisation – this will halt the authorisation process, the warrant will stay as "*Authorised Create*"

Optional step: Select [Cancel] to cancel the authorisation process - this will halt the authorisation process, the warrant will stay as "*Authorised Create*"

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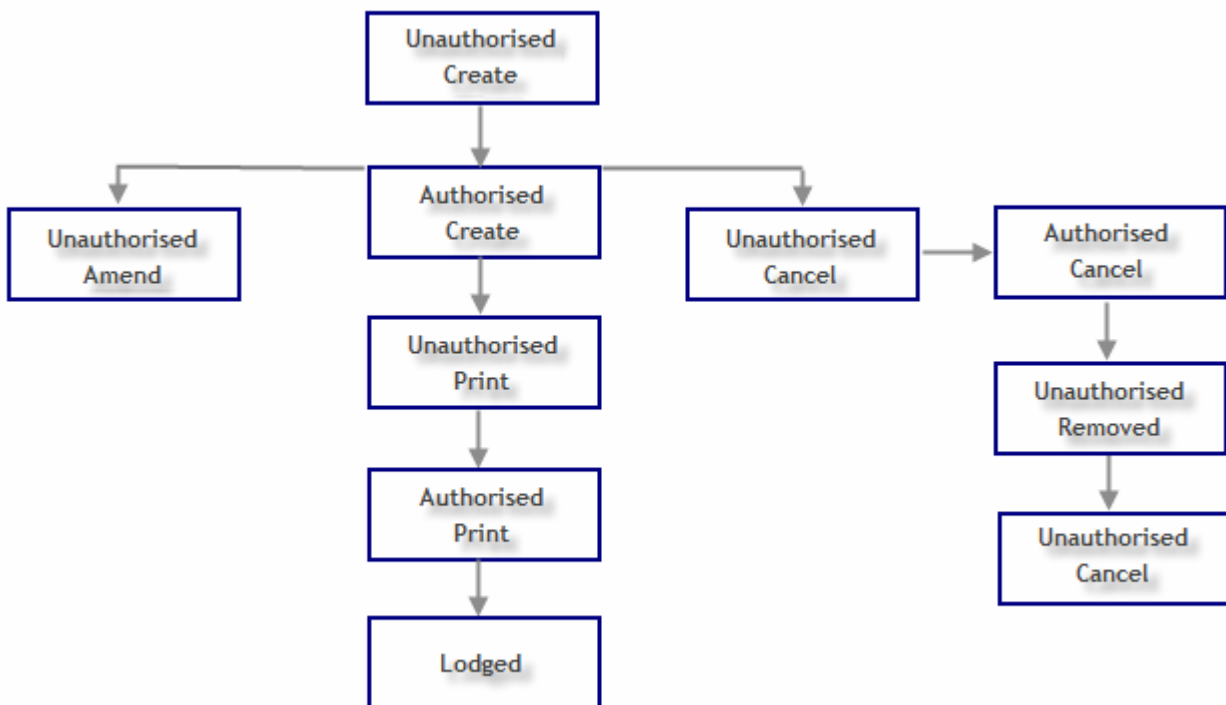
Print a Warrant

Prerequisite: The warrant must be in the status **"Authorised Created"** to print
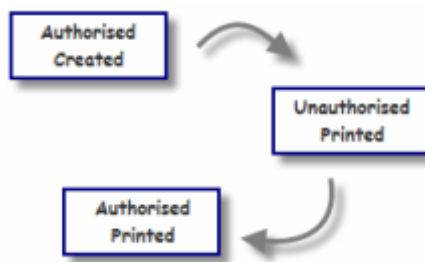
At the end of this section the status of the warrant will follow the above change in status.

a. Select the desired warrant(s) by checking the corresponding checkbox(as)

b. Select [Print] in order to print – selected warrants are displayed in the "*Print Warrants*" screen

c. The "*Prints Warrant*" screen lists all warrants and displays the following confirmation message

d. Select [Save] - this will return you to the Warrant Search screen and system will now show you all warrants with the status "Unauthorised Printed". This will include the print request you just saved. The system will also display the following confirmation message

e. Select [Authorise], the Authorise screen will appear. If the warrant was created by you it will ask you to get a fellow LMEsword supervisor user to authorise the print request.

f. Once authorised select the [Authorise] button in the Authorise window

g. The system will display the following confirmation message and will ask you to select the <**Print Warrants**> button.
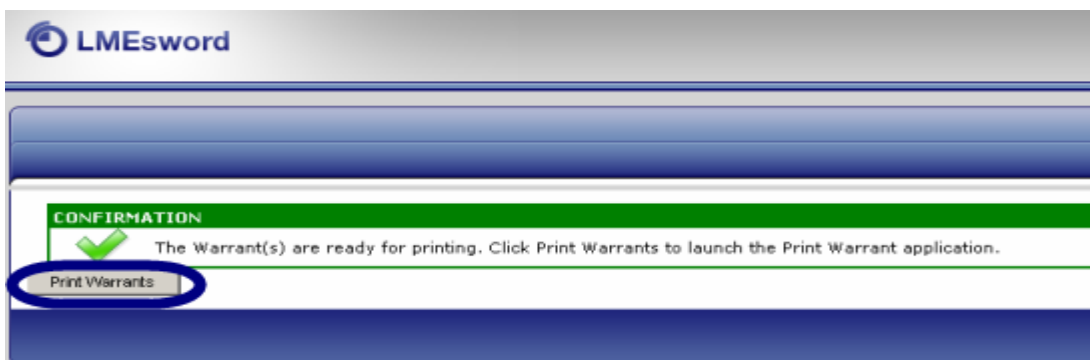
h. Selecting the <**Print Warrants**> button will generate and display a warrant in a separate report viewer called LMEsword Print Warrant.

i. Print Warrant using the [🖨] button.

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Example of a printed Warrant – with no specific detail

LME WARRANT No.

Address2
Town2
City2 POSTCODE
Country

Created:

Warrant Id:

Location:

Warehouse:

BEARER

is entitled to

Product:

Shape:

Brand:

Quantity:

Country of Origin:

Certificate of
Analysis & Date:

Net Weight(Kg):

Rent:

Commencing:

Rent must be paid in accordance with the LME rules and regulations.   Check with issuing London Agent for the correct rate.

This warrant is issued in accordance with and is subject to the LME rules and regulations, as in force from time to time.

The material is not insured by us; Insurance is the responsibility of the bearer of the warrant. Unauthorised erasures will render the warrant null.

Reference:

Signed

Address2
Town2
City2 POSTCODE
Country
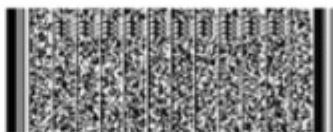
Cancel a Warrant

Prerequisite: The warrant(s) must be in the status **"Authorised Created"** in order to cancel
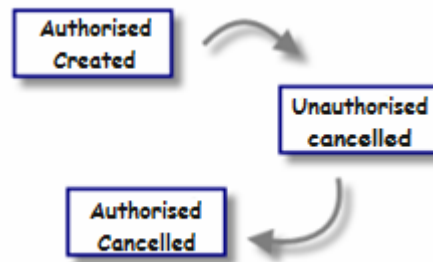
At the end of this section the status of the warrant will follow the above change in status.

a. Search for warrants with the "Authorised Create" status
b. Select the checkbox for the corresponding warrant(s) you wish to cancel
c. Select the [Cancel] button from the menu bar on the warrant search screen
d. The following screen will appear:

e. The information message states: *"The following Warrants have been selected for cancelling. Optionally enter some Notes below and then click on the Save button."*
f. Select the [Save] button

g. The confirmation message states: *"The cancellation of the warrants(s) have been requested.Authorise the cancellation for the Warrant(s) to become cancelled."*
h. Select the [Authorise] button – you will be prompted to get authorisation from a fellow LMEsword user with supervisor status before continuing the authorisation.
i. Supervisor enters username, password, notes and then selects the [Authorise] button
j. System moves to the Warrant search page displaying all warrants with "*Authorised Cancelled*" status
k. You will see your warrant(s) at the top of the search results
l. The system will display the following confirmation message: *"Warrants authorised successfully"*

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Warrants

New | Download | Authorise | Amend | Re-issue | Cancel | Remove | Print | Batch

CONFIRMATION

Warrants authorised successfully.

	Warrant No	Warrant Id	Product	Status
☐	TH0098	3976787	FF	Authorised Cancelled

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Remove a Warrant

Prerequisite: The warrant(s) must be in the status **"Authorised Cancelled"** in order to be removed
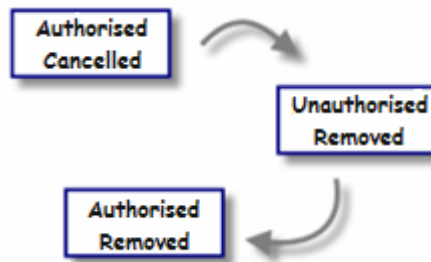
At the end of this section the status of the warrant will follow the above change in status.

a. Search for warrants with the "Authorised Cancelled" status
b. Select the checkbox for the corresponding warrant(s) you wish to remove
c. Select the [Remove] button from the menu bar on the warrant search screen
d. The following screen will appear:

e. The message circled above states: *"The following Warrants have been selected for removing. Select a Removal Reason and then click on the Save button"*
f. The message above is referring to the following list of Removal Reasons

g. Select your removal reason
h. Select the [Save] button

i. The confirmation message states: *"The Removal of the Warrant(s) has been requested. Authorise the Removal to remove the Warrant(s)."*

j. Select the ![Authorise] button – you will be prompted to get authorisation from a fellow LMEsword user with supervisor status before continuing the authorisation.

k. Supervisor enters username, password, notes and then selects the ![Authorise] button

l. System moves to the Warrant search page displaying all warrants with "*Authorised Removed*" status

m. You will see your warrant(s) at the top of the search results

n. The system will display the following confirmation message: "*Warrants authorised successfully*"

	Warrant No	Warrant Id	Product	Status
☐	TH0098	3976787	FF	Authorised Removed

Re-issue a Warrant

Prerequisite: The warrant(s) must be in the status **"Authorised Removed"** with a removal reason **"For Re-Issue"** in order to be removed
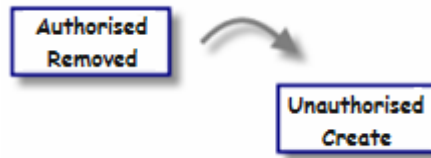
At the end of this section the status of the warrant will follow the above change in status.

a. Search for warrants with the "Authorised Removed" status
b. Select the checkbox for the corresponding warrant(s) you wish to Re-Issue
c. Select the [Re-Issue] button from the menu bar on the warrant search screen
d. The following screen will appear:

e. You must now provide a new Warrant Number to reference this warrant – **n.b. the warrant number must end in a number** the system will not allow you to save if you do not follow this rule.
f. Enter new warrant number
g. Select the [Save] button

h. The confirmation message states: *"The Removal of the Warrant(s) has been requested. Authorise the Removal to remove the Warrant(s)."*
i. Select the [Authorise] button – you will be prompted to get authorisation from a fellow LMEsword user with supervisor status before continuing the authorisation.
j. Supervisor enters username, password, notes and then selects the [Authorise] button
k. System moves to the Warrant search page displaying all warrants with *"Unauthorised Create"* status
l. You will see your warrant(s) at the top of the search results
m. The system will display the following confirmation message: *"Warrants successfully re-issued"*

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Suspension or Unsuspension of a Warrant

This warrant activity is carried out by the LME Physical Operations team and is documented in a separate internal London Metal Exchange administration document.

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Scan a Warrant via Warrant menu – for comparison purposes only

a. Select Warrant → Scan Warrant
b. System display "*Scan Warrant*" screen
c. Focus mouse on Barcode icon at the top of the Scan Warrant page

d. One mouse click on the bar code will give your scanner focus to read and transmit data to your computer
e. When the scanner is in focus you see the following message on the bottom bar of your browser:
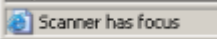
f. When the scanner is not in focus you see the following message on the bottom of your browser:
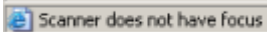
g. Once you have scanned the barcode on your warrant the following detail will appear on the Scan Warrant Page.
h. The scan will compare the data in the barcode to the data associated to the same warrant id in the LMEsword system

CONFIRMATION

The scanned Barcode details match the Warrant.

Detail	Scanned Value	Current Value	Amended
Warrant Id	3976789	3976789	
Warrant Number	TH0100	TH0100	
Print Number	1	1	
Warehouse Company Code	ATMSB	ATMSB	
Location Code	JOHO	JOHO	
Warehouse Code	7000	7000	
Product Code	FF	FF	
Specification Code	A61560	A61560	
Brand Code	ALCHFE	ALCHFE	
Shape Code	100S	100S	
Quantity	150	150	
Country of Origin Code	UA	UA	
Net Weight	65000	65000	
Gross Weight	65000	65000	

Create a Warrant Batch

a. Select Warrants → Search
b. Select Search Criteria: Status (warrants must be Authorised Printed status)
c. Select Warrant(s) for batch
d. Select [Batch]
e. If batch already populated you will be shown a box asking if you want to overwrite current batch contents, Append to the batch or cancel the current batch operation all together.
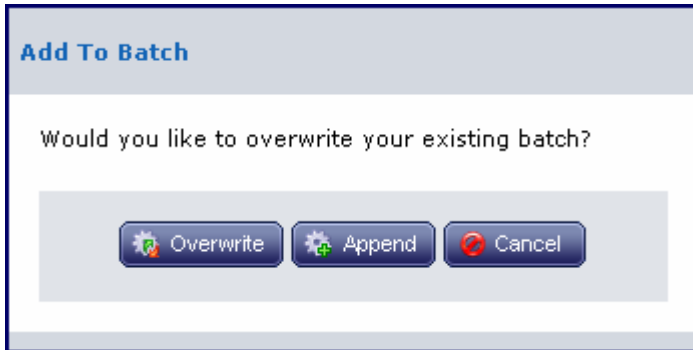
f. Message appears:
g. Select Warrants → Batch and view warrants
h. User is able to Clear, download from and upload into the batch from a file and also find other warrants via accounts and scanning to add to the batch using the Find By utility.

i. Find By allows the user to find warrants by:
   a. Warrant ID – copy and paste a list of warrant IDs
   b. Scanning – scan into the window
   c. Warrant Number – enter number, warehouse company and location

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Using your batch

You can use your batch in the following areas:
- Rent Endorsement
- Rent Calculator
- Withdrawal Instruction
- Cleared instruction
- Ex-cleared Instruction
- Inter-Account Instruction

The contents of the batch is copied into the instruction when you select the **Batch** from the **Warrants (0)** tab within an instruction.

The contents from a batch can be re-used until it is cleared or overwritten.

Downloading Warrants

Warrants can be downloaded from the Warrant Search Screen or the Batch screen. The 3 download types remain:
- Level 1 – Id only
- Level 2 – Upload Format (coded values) – this format can be used for uploading warrants
- Level 3 – Full Details

a. Select all warrants or warrants required using checkboxes available.

b. Select **Download** button – Download window opens
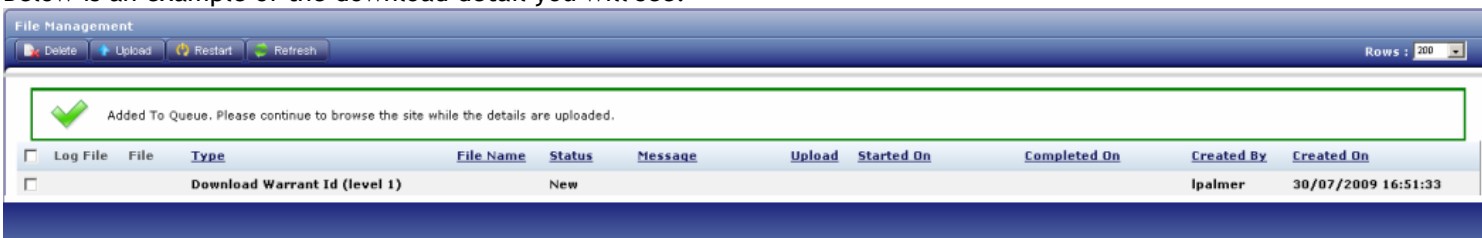
c. Select: Type of Download required:
   d. **Id Only** – provides the user with a file with Warrant Ids only – file format **WRITDyyyymmdd.txt**
   e. **Upload Format (coded values)** – this is the most suited format for uploading into an instruction or endorsement – file format – **WRTPDyyyymmdd.txt**
   f. **Full Details** – this format is useful for reporting or auditing – file format – **WRTFDyyyymmdd.txt**
d. User has option to ignore previous selection and select all warrants available in Batch by selecting <All Warrants> checkbox.
e. Select **Download**
f. File Management Window Opens
g. Confirmation Message appears: "*Added to Queue. Please continue to browse the site while the details are uploaded*"
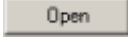
Below is an example of the download detail you will see.

h. Select button to view full download details (you may need to wait a few minutes for the refresh to display an update)
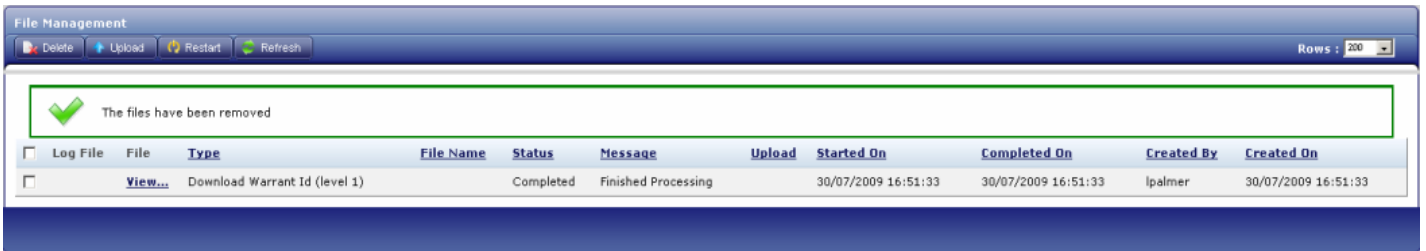
i. Select the View link for the download entry
j. The following File Download dialogue box will open
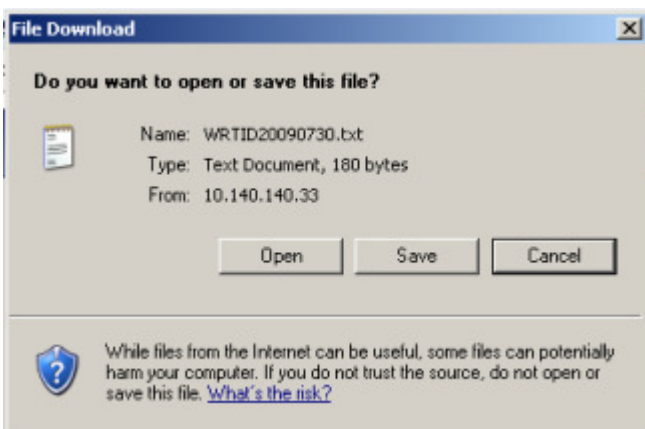
k. Select the button
l. A text file will open: see the following for example text for a warrant id file:
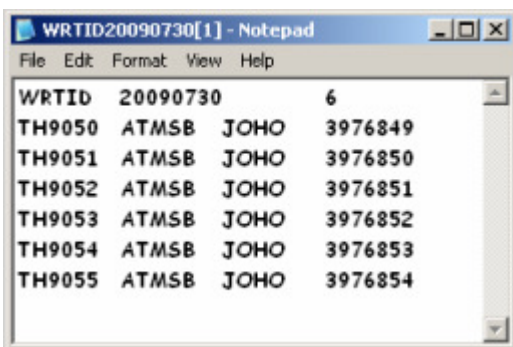
m. Save the file locally in **.txt** format

Searching for a Warrant

Searching for a warrant is an integral part of LMEsword. It helps to populate the batch, produce download files and populate all instuction types *(see General Concepts for Instructions section).*

There are 3 types of search criteria: Status (warrant), Lookup (e.g. Product, Location, Warehouse, Warehouse Company, Account, Brand, Country) and finally Range (e.g. Warrant Id, Warrant No, Creation Date, Rent Start Date)
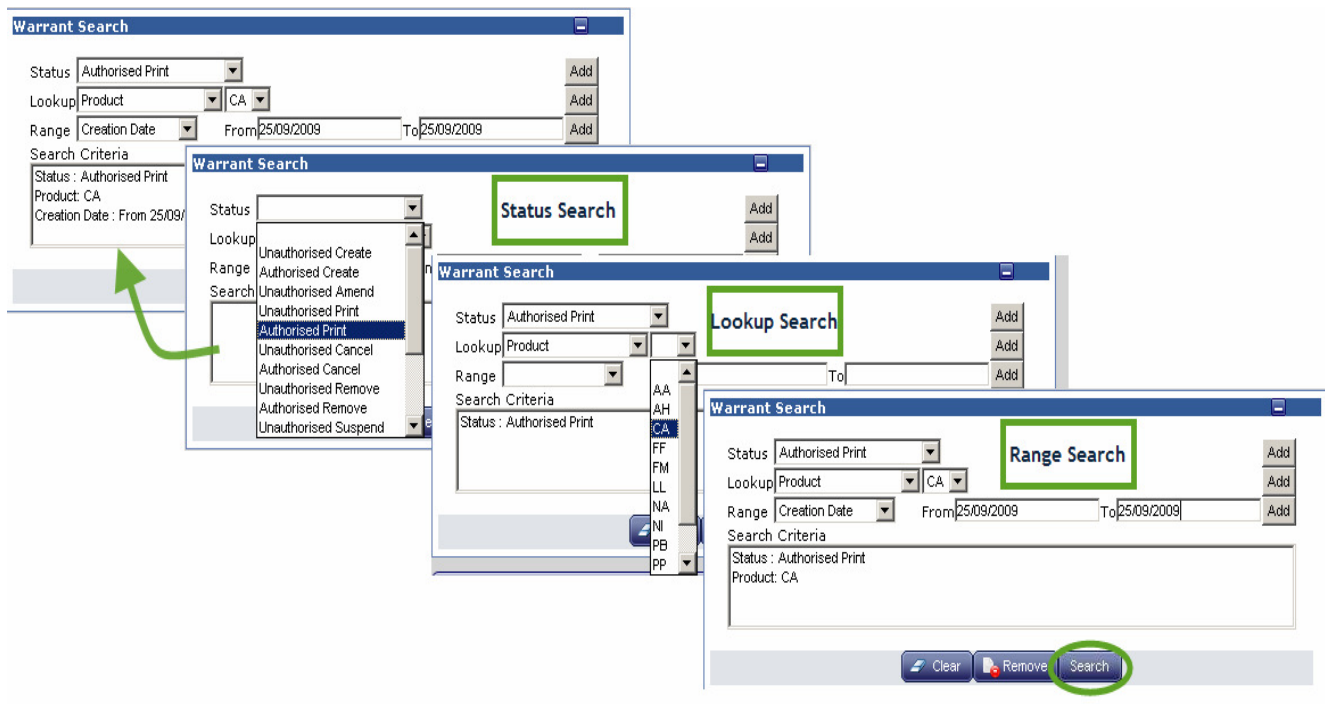
a. Select Warrant → Search
b. Select Criteria to find your desired warrant(s) - see image above
    i. select criteria
    ii. select [Add] (Search criteria appears in window in search section)
c. Select [Search] to run search based on criteria – warrants appear in bottom window
d. **Optional Step**: Select particular selected criteria then select [Remove] to remove the selected search criteria
e. **Optional Step**: Select [Clear] to clear all selected criteria in the search section

How to make the most of your warrant search

Status
The status criteria is of most benefit to the Warehouse agents or LME Physical Operations team.
Members can use status to find warrants that have not been lodged (Not Lodged) or not been endorsed (Rent Overdue).

Lookup
This criteria pull down menu allows multiple values to be added to the search. A user can at present choose 1 of each value under this list.
The values available for a lookup include: Account, Brand, Product, Location, Warehouse, Warehouse Company

Range
This type of criteria allows the user to search a range of dates, weights or warrant IDs or numbers.

Downloads

All downloads can be viewed and managed from File → View.

There are 2 End of Day Reconciliation downloads: Warrants In/Out and Warrant By Account.
The Warrants In/Out download can now be run at any time of day now.

LME-001340

General Concepts for Transfers, Endorsements, Lodges and Withdrawals

LMEsword has been designed to be intuitive and in order to achieve this; common formats and methods have been adopted over many areas of the system. All 3 types of Transfers, Rent Payments, Lodges and Withdrawals have been referred to as Instructions in LMEsword and all Instructions have been presented in a generic format to help simplify the use of the system. This section provides an overview of the generic format and how it would relate to the 6 different instructions.

Types of Instruction:

Ex-cleared Transfer Instruction
Allows the member to transfer warrants to another member without the need of any clearing activities

Cleared Transfer Instruction
Generated automatically by the LCH clearing function; can also be manually generated by the member. This will allow the transferring of warrants from a giver to the LCH then from the LCH to the taker member via the LCH clearing system.

Inter-Account Transfer Instruction
This allows the simple transfer of warrants between accounts held or managed on behalf of other customers by the same member.

Rent Endorsement Instruction
This allows a warrant to be endorsed i.e. rent paid on a warrant.

Lodge Instruction
This allows a member to lodge warrants at the depository against a House or Customer account held by the member.

Withdrawal Instruction
This allows the member to withdraw the warrant from the depository; most common reason being metal take up.

Creating an Instruction

Each instruction is presented in 3 parts.

Details Tab
Allows the user to select unique reference and specific information for the instruction such as number of warrants product, target account, target member, security information.

Warrants Tab
Allows the user to enter and validate warrants for the instruction.
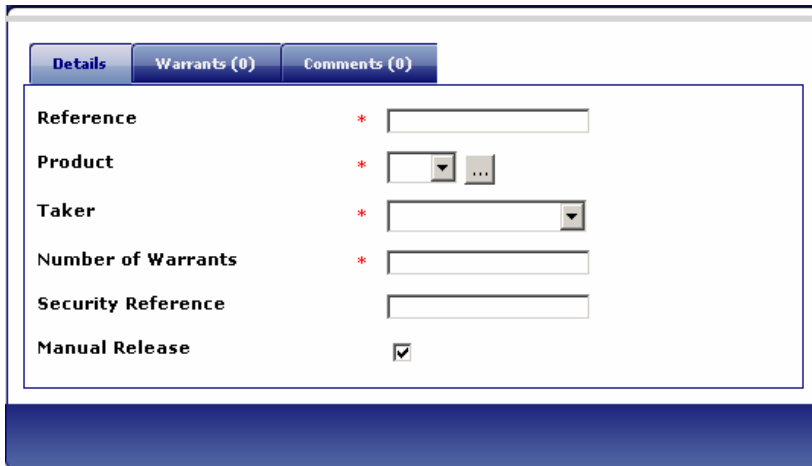
Comments Tab
Allows the user to enter private or public comments for the instruction.

Adding Details to an Instruction

Ex-cleared:

The Ex-cleared instruction will ask for a unique reference, the product that the warrants will be associated with, the taker who will be the recipient of the transfer, the number of warrants being transferred, a security message which is optional as well as the option to release manually which may be used if the giver member wants to monitor the transfer more closely.
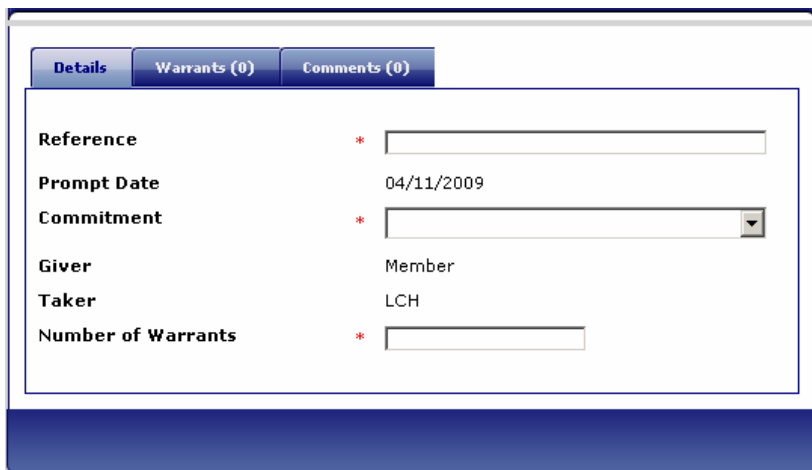

Cleared:

The Cleared instruction will also ask for a unique reference, the prompt date will appear if there is a commitment for that business day. **N.b.** You will not be able to create a cleared instruction if you do not have a commitment for that day. The Commitment field will specify which contracts you have commitments for and the final input field will ask you to specify how many warrants you are nominating for delivery.

Inter-Account Instruction:

The Inter-account Instruction is a simpler format and asks for 2 pieces of information. The unique reference which is mandatory and the target account for the transfer.

Rent Endorsement Instruction

The Rent Endorsement Instruction details tab will ask for unique reference, the warehouse agent and Warehouse Company associated with the warrants about to be endorsed and the end date of the rent period. When you enter the warrants in the Warrant Tab LMEsword will calculate the total rent and display the figure in the Total Rent field on the Details tab.
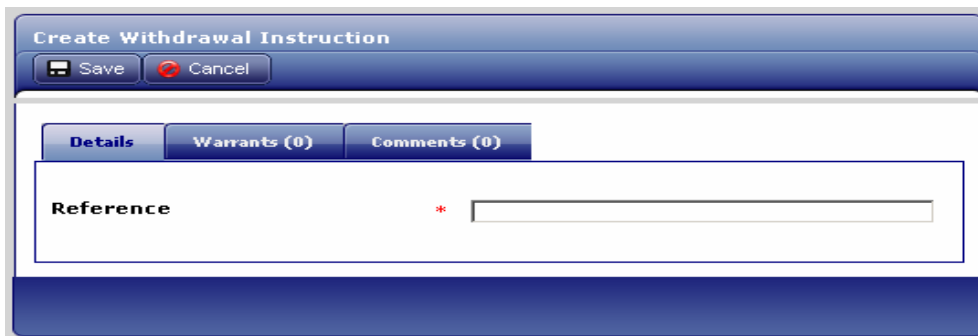

Lodge Instruction

The Lodge Instruction is similar to the Inter-account instruction details tab and will ask you for a unique reference and the account you are nominating to hold the new warrants.

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Withdrawal Instruction

The details tab on the withdrawal instruction is the most easy to input details into as it only requires you to enter a unique reference.

Adding Warrants to an Instruction

Using the "Get From" Search Utility

This utility will display the warrant search window which anyone who searches for warrants will be familiar with. Once the results are shown the user is able to select the warrants via the checkboxes either one at a time or the whole page if required. The user then selects the **TRANSFER** button to add the warrants to the warrant tab.

Using the Batch Utility

The batch utility will populate the warrant tab with warrants that have been cherry picked to be used for instructions and downloads.

Available in all warrant tab areas excluding Lodge Instructions as the warrants are yet to be added to an acount.
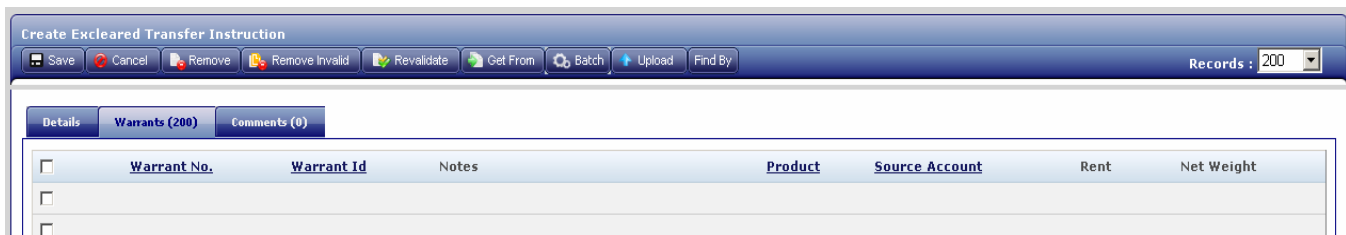
Using the Upload Utility

The upload utility will allow the user to upload Warrant ID Level 1 file(WRTID) files.

Using the Find By Search Utility

The find by search utility allows the user to add via warrant ID or via Warrant No, Warehouse Company Code and Location Code, or by scanning; dependant on the instruction.

Validating Warrants in an Instruction

A user may at times add a warrant to an instruction that the system will recognise and alert as invalid.
Reasons a warrant may be invalid:

   a. Warrant has been selected from Mandatory account
   b. Product in warrant is not valid
   c. Warrant is not with Warehouse Company
   d. Warrant is already in an active Instruction
   e. Rent has not been paid

When a user is faced with invalid warrants there are 2 options:

   1. **REMOVE** – manually removes warrants cherry picked by the user
   2. **REMOVE INVALID** – uses system validation to systematically remove all invalid warrants from the instruction

At times the warrants may be correct but the details in the Details tab may have been entered incorrectly. In this situation: change details in the details tab and then select the **REVALIDATE** button in the warrants tab. The warrants should now be recognised as valid.

Amending an Instruction

All Instructions are amended via the **AMEND** button on the main instruction screen.
An Amendment can only occur if the instruction is in an Unauthorised Create state.

   1. User selects the instruction via the corresponding checkbox and then selects the **AMEND** button.
   2. User is taken to the amendable view of the instruction.
   3. User makes changes and select save again.
   4. Status is unchanged – Unauthorised Create.

Search for an Instruction

Each Instruction Screen will display a Search and Sort section at the top of the screen.
This allows you to manage your instructions more effectively using an instruction specific set of search criteria.

   1. Select Criteria from far left pull down menu
   2. Enter value or range (dependent on criteria selected)
   3. Select <ADD> to add criteria to Criteria window (far right)
   4. To Remove 1 criteria select from far right box and then select <REMOVE>
   5. To clear complete selection of criteria select <CLEAR>

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Sorting the instructions in the display

As with the Warrants Results Screen Sorting of any list of Instructions is performed by selecting the column headings. Select the column again to switch from ascending to descending.
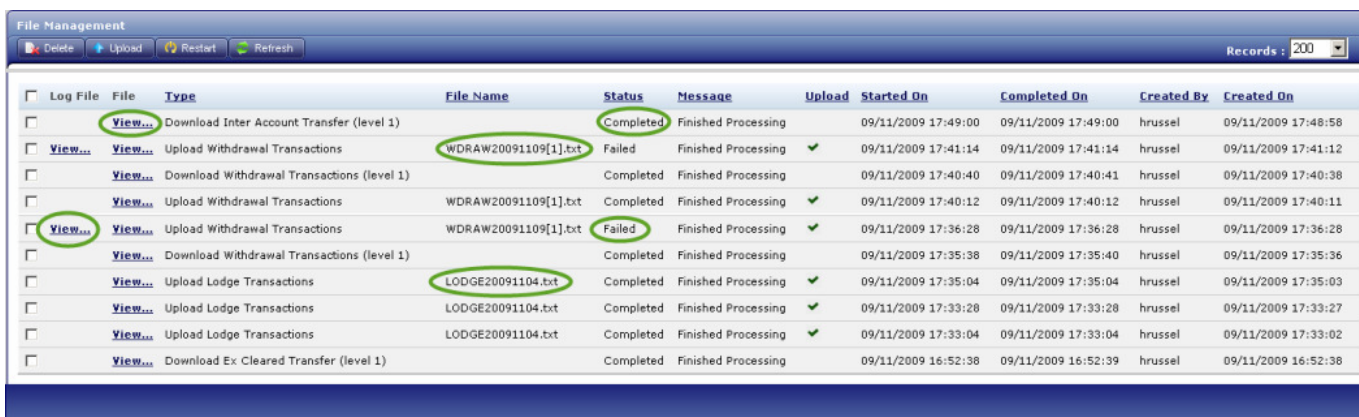

Downloading an Instruction

Any type of Instruction can be downloaded into a text file and used to provide a template for an upload file or to be sent to another party.

1. From the Instruction main screen select the **DOWNLOAD** button.
2. System directs you to the Download screen where you choose your type of download.
3. Once type selected select the **DOWNLOAD** button.
4. System directs you to the File Management screen where your download task is being processed (will be at the top of the list of files)
5. Select the Refresh button and monitor the status of your file.

If file downloads successfully you will see a Status of Completed and your file will be available to view from the File column via the View link.

Once you view the file you can decide to **Open** review the file or select **Save** to retain a copy of the file.
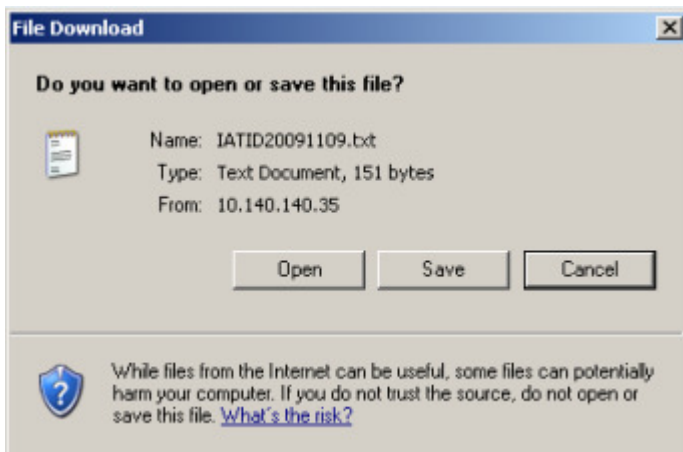
The following types of files will be available to download:

1. Warrant Id (level 1) (file name format: WRTIDddmmyyy.txt)
2. Inter Account Transfer File (file name format: IATddmmyyy.txt)
3. Ex-cleared Transfer File (file name format: EXCIDddmmyyy.txt)
4. Cleared Transfer File (file name format: CLCIDddmmyyy.txt)
5. Lodge Instruction File (file name format: LODGEyyyymmdd.txt)
6. Withdrawal Instruction File (file name format: WDRAWyyyymmdd.txt)

The user can save the files and change the filenames as they see fit.

If the download failed you will see a Status of Failed and will have access to the downloaded file and a log file which will explain why the failure occurred.

Uploading an Instruction

The upload of instructions occurs from the main instruction screen and is triggered by the [Upload] button.

1. Select the [Upload] button and the system will direct you to an Upload File screen.
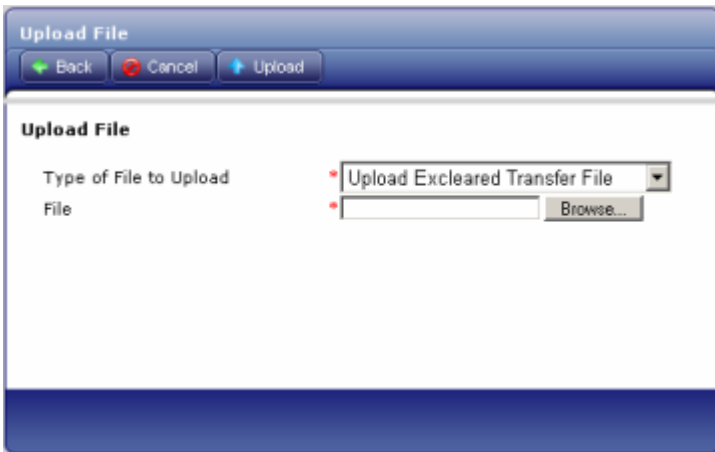
2. You will choose your type of upload; the default will refer to the location you select the Upload function from and will provide you with 6 options to upload different types of files.

e.g.
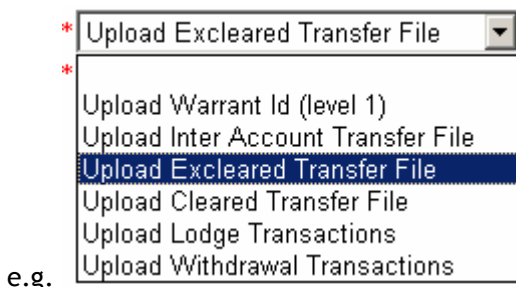
3. You will then select your file from your directory system using the [Browse...] button.
4. Once file selected select the [Upload] button.
5. System directs you to the File Management screen where your upload task is being processed (will be at the top of the list of files)
6. Select the Refresh button and monitor the status of your file.

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7. If file uploads successfully you will see a Status of Completed and your file will be available to view from the File column via the View link.

8. Your file will also be available via the Instruction Screen and will be listed as an unauthorised create status file.

9. If the upload failed you will see a Status of Failed and will have access to the uploaded file and a log file which will explain why the failure occurred.

Adding comments to an Instruction

The adding comment functionality is once again a generic concept which applies to all types of instruction.

1. User must select there 3rd tab known as the **COMMENTS** tab.
2. The user must then select **NEW** to add a new comment.
3. The user can decide within the comment window if the comment is to be public or private.

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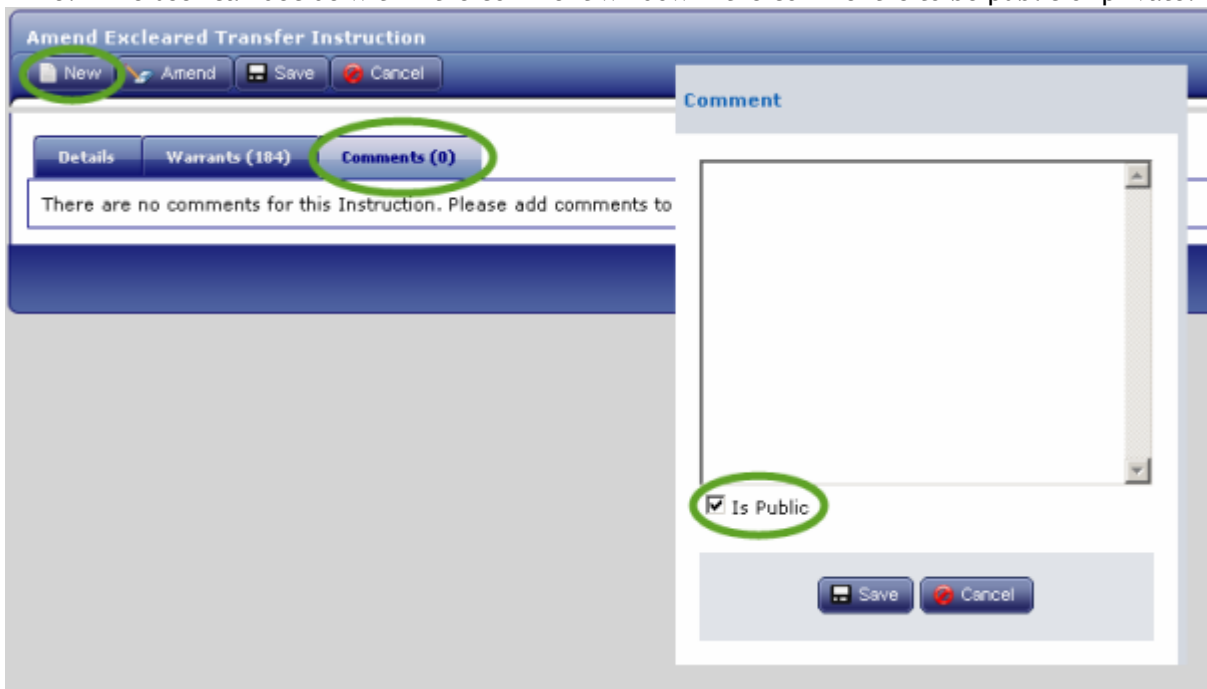
Authorising an Instruction

Authorising as a creating user

User authorises instruction

1. User selects corresponding checkbox to select instruction from list
2. User selects [Authorise] button – authorisation window appears
3. Window requests authoriser user to authorise with
   a. Username
   b. Password
   c. Notes
4. Authoriser user enters details and selects <Authorise>
5. Window closes and system message appears < Instruction(s) authorised successfully. >
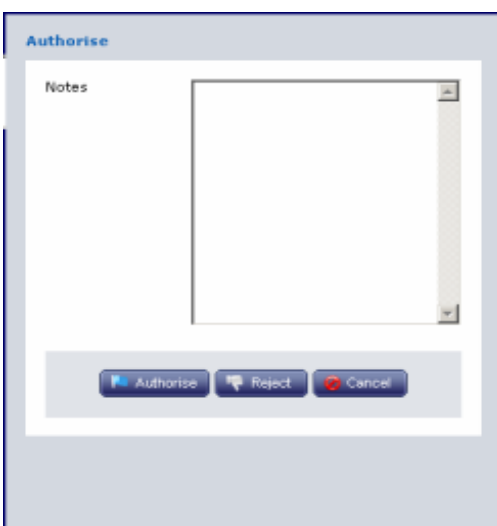
End Status: authorised created

Authorising as an authorising user

Account - user authorises instruction
1. User selects corresponding checkbox to select instruction from list
2. User selects [Authorise] button – authorisation window appears
3. Window requests authoriser user to authorise instruction
4. Authoriser user enters details in <notes> section and selects <Authorise>
5. Window closes and system message appears < Instruction(s) authorised successfully. >

End Status: authorised created

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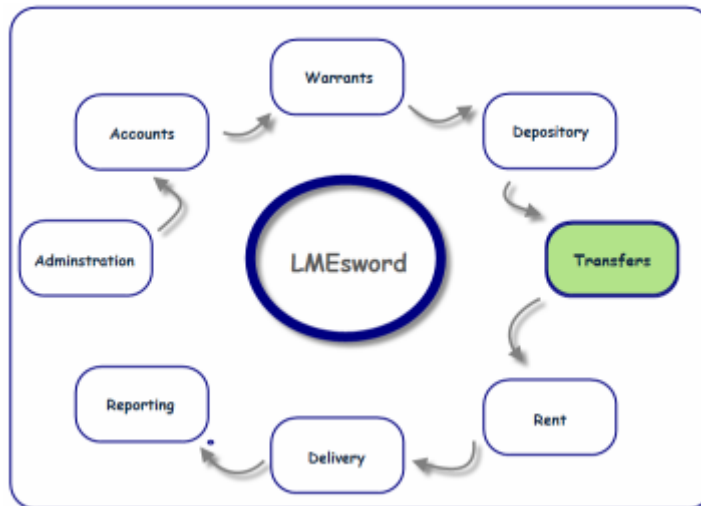
Transfers

"*Who needs to read this section?*" – Clearing Members and Warehouse Agents

Inter-Account Transfers, Ex-cleared Transfers and Cleared Transfers are all treated as Instructions by LMEsword. The creation, amendment, authorisation are all covered in the section General Concepts for Instructions.

Ex-Cleared Transfer

There are a number of functions which are specific to Ex-cleared Instructions that are detailed in this section. Ex-cleared Transfer:

1. Accept – function performed by the Taker member
   a. Select corresponding checkbox
   b. Select [Accept]
   c. View details
   d. Select [Accept]
   e. Status changed to *Unauthorised Accepted*
   f. Select [Authorise] and authorise
   g. Message appears:
   h. Status changes to *Authorised Accepted*
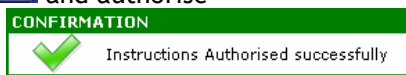
LME-001350

2. Release – Performed by the Giver Member after the Taker has *Authorised Accepted*
    a. Select corresponding checkbox
    b. Select

    c. Release Window opens
    d. Review and select

    e. System message appears:
    f. Status changes to *Released*
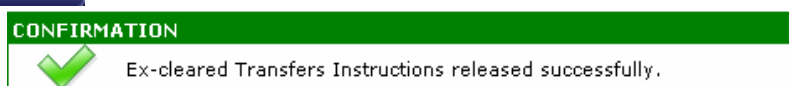
3. Reject - function performed by the Taker member
    a. Select corresponding checkbox
    b. Select
    c. View Details
    d. Select
    e. Status changed to *Unauthorised Rejected*

4. Undo - function performed by the Taker member
    a. Select corresponding checkbox
    b. Ensure status is *Unauthorised Accepted* / *Unauthorised Rejected*
    c. Select
    d. Status reverts to *Authorised Created*

Cleared Transfer

There are a number of functions which are specific to Cleared Instructions that are detailed in this section.

5. Amend automatically generated Cleared Transfer
    a. Select required Cleared Transfer checkbox
    b. Select **Amend**
    c. Select **Warrants** tab
    d. Select warrants to fulfil delivery commitment

6. Create new Cleared Transfer
    a. Select **New**
    b. In details screen select **commitment** NB a Cleared Transfer can only be created if a commitment exists
    c. Select **Warrants** tab
    d. Select warrants to fulfil delivery commitment
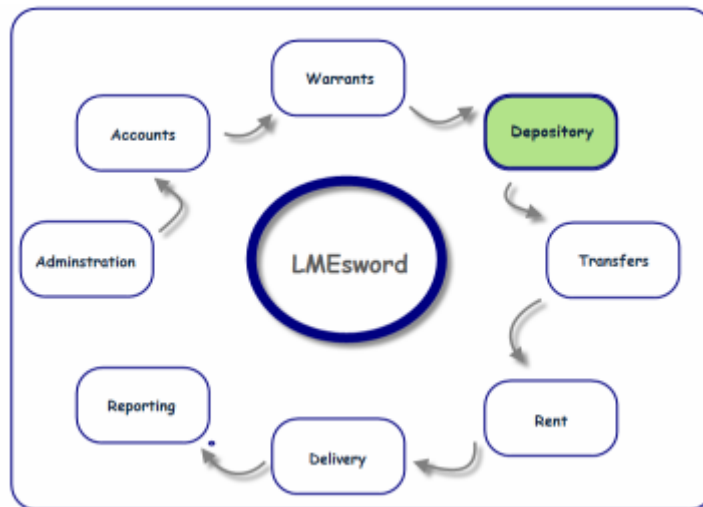
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Depository

See *General Concepts for Instructions* section for details
   Lodge Instruction Creation
   Lodge Instruction Download and Upload – see general concepts for instructions section
   Withdrawal Instruction Creation – see general concepts for instructions section
   Withdrawal Instruction Download and Upload – see general concepts for instructions section

Depository Specific - Lodge

Lodge Instructions are Authorised by a member and are then sent to the Depository via the system for processing. A depository user will do the following to process a lodge:

1. Receiving a Lodge Instruction
    a. Ensure the status of the instruction is Authorised Create
    b. Select corressponding checkbox
    c. select button
    d. The following message appears on the screen
       .
    e. Status has changed to *Received*

2. First Approval of a Lodge Instruction
    a. Ensure the status of the Instruction is *Received*
    b. Select corressponding checkbox
    c. Select Button – Instruction opens showing Details Tab
    d. Select Warrants Tab
    e. Scan in warrants – see image – Status will change to Accepted if successful.
    f. Status will change to any of the listed in the list below if a scan is not accepted
        i. Additional Warrant
       ii. Bar-code details to not match
      iii. Bar-code unreadable
       iv. Warrant mutilated
        v. Warrant missing
       vi. Other - Failed

g. If there is an exception you can select ![Restart] to reset the warrant status list in order to re-scan all warrants.

h. If all warrants accepted via scan select ![First Approve]

i. The following message appears on the screen

CONFIRMATION

Instruction first approved successfully.

j.

k. Status has changed to *First Approval*

3. Second Approval of a Lodge Instruction
   a. Ensure the status of the Instruction is *First Approval*
   b. Select corressponding checkbox
   c. Select ![Second Approve] Button – Instruction opens showing Details Tab
   d. Select Warrants Tab and review list of warrants
   e. Select ![Second Approve] button
   f. System prompts for authorisation – *see General Concepts for Instructions section for details*

   CONFIRMATION

   Instruction lodged successfully.

   g. The following message appears on the screen
   h. Status has changed to *Completed*

Exceptions:

4. Reverse the Receiving of a Lodge Instruction
   a. Ensure the status of the instruction is *Received*
   b. Select corressponding checkbox
   c. Select ![Undo Receive]
   d. The following message appears on the screen:

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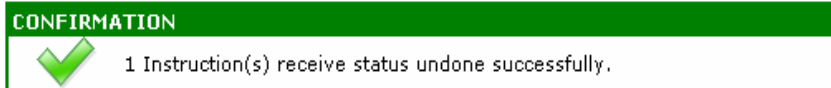
e. Status has reverted to *Authorised Create*

5. Reverse the First Approval of a Lodge Instruction
   a. Ensure the status of the instruction is *First Approval*
   b. Select the corressponding checkbox
   c. Select [Undo]
   d. The following message appears on the screen:
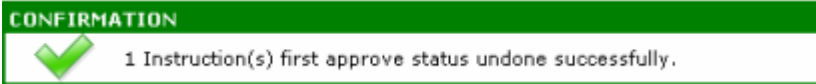
   e.
   f. Status has reverted to *Received*

Clearing Member Specific - Lodge

Lodge Instruction Copy

If a Depository User Rejects a Lodge Instruction from a clearing member the following happens:

1. The instruction is attributed with the status of Rejected.
2. This new status is visible to both the Depository and the Clearing Member
3. The Clearing Member receives a message in the Inbox stating that the Lodge Instruction <ID> has been rejected.

The member may want to copy the details from the lodge to create a new lodge. The steps to perform this are:

1) Check the corressponding box to the instruction you would like to copy.
2) Select [Copy]
3) A new version is created and displayed at the top of the instruction list
   a. Reference attributed of **"COPY OF <reference>"**
   b. New Instruction ID is attributed
   c. Same Warrant(s) and Same Target Accounts are specified in copied instruction

Depository Specific - Withdrawal

1. First Approval of a Withdrawal Instruction
   a. Ensure the status of the Instruction is *Authorised Create*
   b. Select corressponding checkbox
   c. Select [First Approve] Button – Instruction opens showing Details Tab
   d. Select Warrants Tab
   e. Scan in warrants – see image – Status will change to Accepted if successful.
   f. Status will change to any of the listed in the list below if a scan is not accepted
      - Additional Warrant
      - Bar-code details to not match
      - Bar-code unreadable
      - Warrant mutilated
      - Warrant missing
      - Other - Failed

   g. If there is an exception you can select [Restart] to reset the warrant status list in order to re-scan all warrants.

   h. If all warrants accepted via scan select [First Approve]

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i. The following message appears on the screen

CONFIRMATION

✓ Instruction first approved successfully.

j. Status has changed to *First Approval*

Withdrawal Instruction First Approval

🚫 Cancel   🔄 Restart   🏁 First Approve

| Details | Warrants (5) | Comments (0) |

Warrant Id	Status	Reason for Return to Agent
3930147	Accepted ▾	
3498417	Additional Warrant ▾	Warrant not marked as rent paid
2954718	Bar-code unreadable ▾	
2941380	Accepted ▾	
2930148	Accepted ▾	

2. Second Approval of a Withdrawal Instruction
   a. Ensure the status of the Instruction is *First Approval*
   b. Select corressponding checkbox
   c. Select [Second Approve] Button – Instruction opens showing Details Tab
   d. Select Warrants Tab and review list of warrants
   e. Select [Second Approve] button
   f. System prompts for authorisation – *see General Concepts for Instructions section for more details.*
   g. The following message appears on the screen

   CONFIRMATION

   ✓ Instruction second approved successfully and is now ready for collection.

   h. Status has changed to *Ready for Collection*

3. First Security Check of a Withdrawal Instruction
   a. Ensure the status of the Instruction is *Ready for Collection*
   b. Select corressponding checkbox
   c. Select [🔒 First Security Check] Button – Instruction opens showing Details Tab
   d. Enter Security Code provided by member
   e. Review Warrants Tab
   f. Select [🔒 First Security Check]
   g. The following message appears on the screen:

   CONFIRMATION

   ✓ Instruction first security checked successfully.
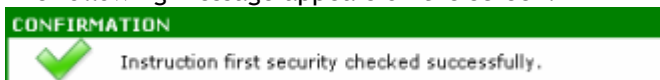
   h.
   i. Status has changed to *Security Code Checked*
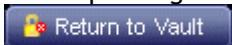
4. Second Security Check of a Withdrawal Instruction
    a. Ensure the status of the Instruction is *Security Code Checked*
    b. Select corressponding checkbox
    c. Select [Second Security Check] Button – Instruction opens showing Details Tab
    d. Review Warrants Tab
    e. Select [Second Security Check]
    f. System prompts for authorisation – *see General Concepts for Instructions section for more details.*
    g. The following message appears on the screen:

    CONFIRMATION
    ✓ Instruction second approved successfully and is now ready for collection.

    h.
    i. Status has changed to *Completed*

5. Returning Warrants to the Vault (Rejection of a Withdrawal Instruction)

The Depsitory can only return to the Vault if the clearing member who created the Withdrawal Instruction deletes the Withdrawal Instruction.

    a. Ensure the status of the Instruction is *Deleted*
    b. Select corressponding checkbox
    c. Select [Return to Vault] button
    d. The following message appears on the screen

    CONFIRMATION
    ✓ 1 Instruction(s) successfully marked as Warrants back in the Vault.

    e.
    f. Status has changed to *Completed*

Exceptions:

1. Undo the first approval of a Withdrawal Instruction
    a. Ensure the status of the Instruction is *First Approval*
    b. Select corressponding checkbox
    c. Select [Undo] button
    d. The following message appears on the screen:

    CONFIRMATION
    ✓ 1 Instruction(s) first approve status undone successfully.

    e.
    f. Status has reverted to *Authorised Create*

2. Undo First Security Check of a Withdrawal Instruction
    a. Ensure the status of the Instruction is *Ready for Collection*
    Select corressponding checkbox

    Select [Undo First Security Check] button
    b. The following message appears on the screen:

    CONFIRMATION
    ✓ 1 Instruction(s) first approve status undone successfully.

    c. Status has reverted to *Ready for Collection*

Clearing Member Specific – Withdrawal

All Member functions for Withdrawal are covered in the General Concepts for Instructions Section

Rent
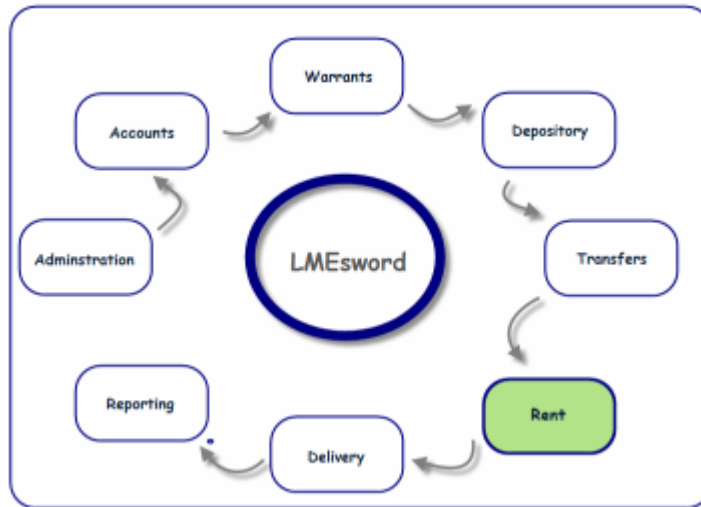
This section illustrates how a rent endorsement would be processed using the new proposed method.
The section also details how the Rent Calculator would be used.

Rent Endorsement Process

Overview
1. Member creates rent endorsement on the LMEsword system
2. Member finds and adds warrants to the endorsement
3. Member saves and authorises the endorsement
4. Authorised Rent Endorsement is now visible to the Agent
5. Agent accepts or rejects the Rent endorsement
6. Endorsement system process is complete

Step One - Member creates rent endorsement on the LMEsword system

The Rent Endorsement Instruction details tab will ask for unique reference, the warehouse agent and Warehouse Company associated with the warrants about to be endorsed and the end date of the rent period. When you enter the warrants in the Warrant Tab LMEsword will calculate the total rent and display the figure in the Total Rent field on the Details tab.

Step Two – Member finds and adds warrants to the endorsement

Using the "Get From" Search Utility

This utility will display the warrant search window which anyone who searches for warrants will be familiar with. Once the results are shown the user is able to select the warrants via the checkboxes either one at a time or the whole page if required. The user then selects the **TRANSFER** button to add the warrants to the warrant tab.

Using the Batch Utility

The batch utility will populate the warrant tab with warrants that have been cherry picked to be used for instructions and downloads.

Available in all warrant tab areas excluding Lodge Instructions as the warrants are yet to be added to an acount.

Using the Upload Utility

The upload utility will allow the user to upload Warrant ID Level 1 file(WRTID) files.

Using the Find By Search Utility

The find by search utility allows the user to add via warrant ID or via Warrant No, Warehouse Company Code and Location Code, or by scanning; dependant on the instruction.

Step Four - Authorised Rent Endorsement is now visible to the Agent

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Rent Calculation Process
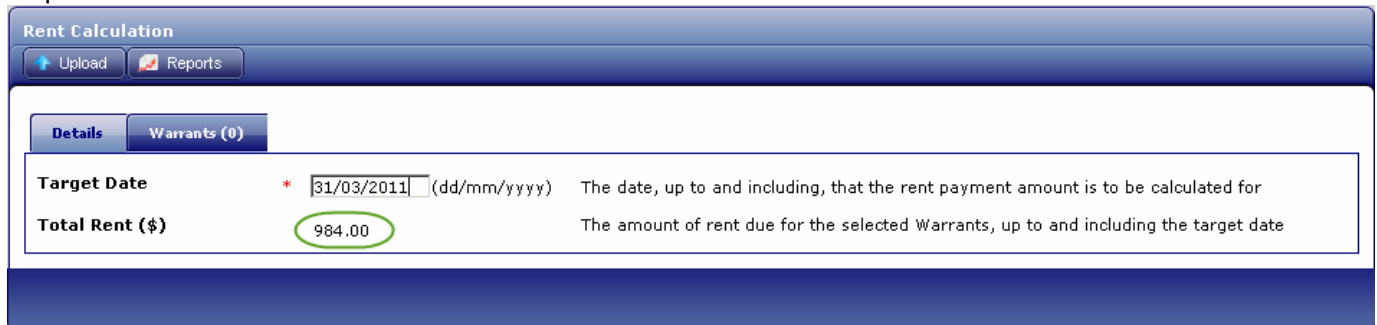
Overview:
1. User selects Warrant → Rent Calculation
2. User enters target date for Rent Calculation in Details tab
3. User enters warrants in the Warrants tab
4. Rent Total Amount is visible on the Details Tab
5. User selects the Reports button to run reports by account and/or by agent

Step Two – User enters Target Date for Rent Calculation in Details Tab
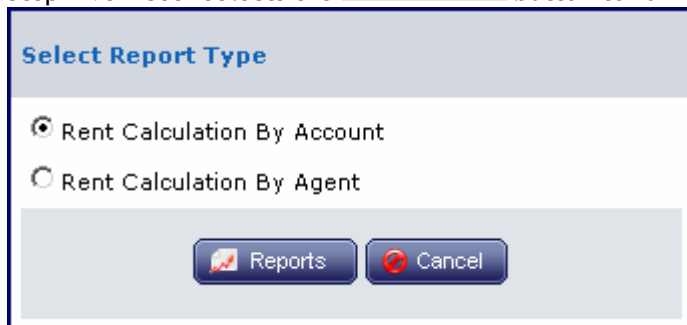
Step Four – Rent Total Amount is visible on the Details Tab

Step Five – User selects the Reports button to run reports by account and/or by agent

Reports - Rent Calculation By Agent

LMEsword	Rent Due By Agent	Date Printed	30-03-2010
	WH Agent 1	Time Printed	12:39

Warehouse Company

Location

Cobalt

Warrant Number	Warrant Id	Rent From Date	Rent End Date	Duration (days)	Rent Rate ($)	Rent Due ($)
tah_CO_682	84461	08-05-2010	31-03-2011	328	0.3000	98.40
tah_CO_683	84462	08-05-2010	31-03-2011	328	0.3000	98.40
tah_CO_684	84463	08-05-2010	31-03-2011	328	0.3000	98.40
tah_CO_685	84464	08-05-2010	31-03-2011	328	0.3000	98.40
tah_CO_686	84465	08-05-2010	31-03-2011	328	0.3000	98.40
tah_CO_687	84466	08-05-2010	31-03-2011	328	0.3000	98.40
tah_CO_688	84467	08-05-2010	31-03-2011	328	0.3000	98.40
tah_CO_691	84470	08-05-2010	31-03-2011	328	0.3000	98.40
tah_CO_694	84473	08-05-2010	31-03-2011	328	0.3000	98.40
tah_CO_697	84476	08-05-2010	31-03-2011	328	0.3000	98.40

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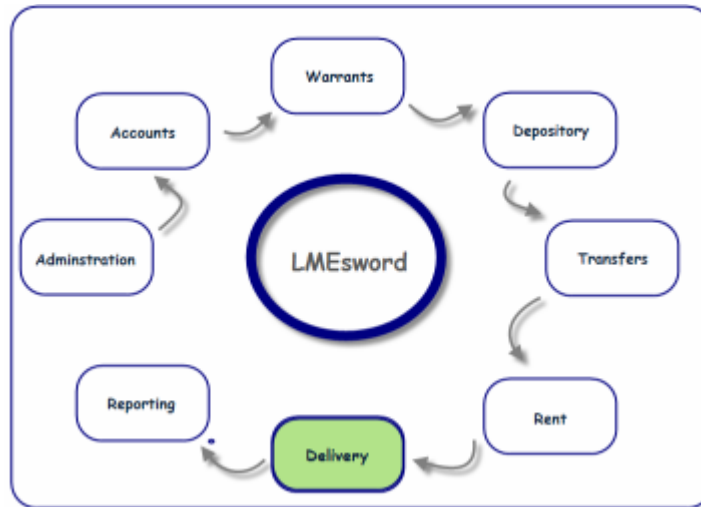
Delivery

This section will detail the functionality available to support the deliveries process. The section will cover what the LCH would perform to start the process and what each member participant must do to perform their obligation.

The overall delivery process is shown in the diagram below:
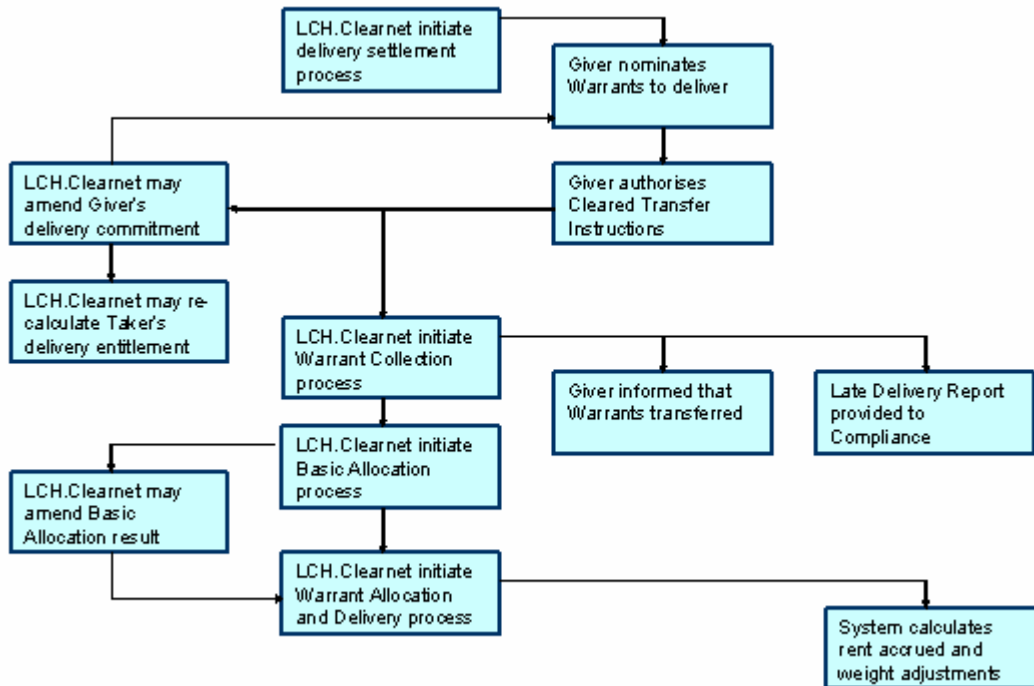
Non-exception process
   a. The positions are created by the LME Clearing System.
   b. A list of all market positions for a specific day are sent to the LME the day before delivery by 4.30pm
   c. The LCH trigger the process in LMEsword and all members who are nominated to deliver receive cleared instructions; one per contract; this process is automated.
   d. The members fulfill their commitments and complete their cleared instructions
   e. The LCH collect all warrants
   f. The LCH initiate the Basic Allocation process
   g. Additional: The LCH amend the Basic Allocation
   h. The LCH initiate the Warrant Allocation and Delivery Process
   i. Warrants are moved from the giver LCH collection accounts to the Taker Collection accounts

Late Delivery or Default Process
   a. The Giver member fulfills the delivery and authorises their cleared instructions.
   b. The LCH produce the Late Delivery report: Produced when all deliveries completed for the day - shows anyone who's cleared instruction was authorised after 11am

Delivery Summary Screen

Both Members and the LCH will have access to the Delivery Summary Screen.

This screen will display data per prompt date, it will list:
   a. Contracts that have positions for delivery,
   b. Target sub Accounts
   c. Commitments
   d. Nominated Warrants
   e. Collected
   f. Entitlements
   g. Delivered

As an LCH user you will see the positions for all members who are delivering or taking-up warrants that day.

   a. Select Transfer -> Delivery Summary
   b. Select **Prompt Date**
   c. Select **Contract** if you wish to see details for a single contract
   d. **NB** Members will only see their own deliveries. LCH will be able to see deliveries for all members

Deliveries - Summary

Back | Refresh

Prompt Date 04/03/2010 ▼ Contract ▼ Search

Member	Sub Account	Contract	Starting Commitment	Adjusted Commitment	Unauthorised Nominated	Authorised Nominated	Collected	Starting Entitlement	Adjusted Entitlement	Total Allocated	To Be Allocated	Delivered Warrants
MFL	H	CA	0	2	0	0	0			0		
MFL	H	CO	0	2	0	0	0			0		
MFL	H	MO	0	2	0	0	0			0		
MFL	H	AH	0	2	0	0	0			0		
MFL	H	NI	0	2	0	0	0			0		
SGL	H	NI	0	10	0	9	9			0		
TAH	H	AH						0	2	0	0	0
TAH	H	CO						0	2	0	0	0
TAH	H	MO						0	2	0	0	0
TAH	H	NI						0	12	9	0	9
TAH	H	CA						0	2	0	0	0
Total			**0**	**20**	**0**	**9**	**9**	**0**	**20**	**9**	**0**	**9**

Clearing House Only Functionality

View Deliveries Command Centre for Prompt Date
  a. Click on prompt date
  b. Command Centre – Task view displayed

Deliveries Command Centre

	Prompt Date	Last Run Date	Log	Summary	Is Active
☐	04/11/2009	05/11/2009 17:13	View	View	✔
☐	03/11/2009	05/11/2009 15:27	View	View	
☐	02/11/2009	05/11/2009 09:39	View	View	
☐	30/10/2009	30/10/2009 16:15	View	View	
☐	29/10/2009	30/10/2009 12:21	View	View	
☐	28/10/2009	30/10/2009 12:07	View	View	
☐	27/10/2009	30/10/2009 12:05	View	View	
☐	26/10/2009	30/10/2009 12:05	View	View	
☐	22/10/2009	22/10/2009 13:14	View	View	
☐	02/10/2009	05/10/2009 16:36	View	View	

Refresh   Activate   Upload   Records : 200

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2. Run a deliveries task

        a. Click on [▷] for required task

        b. If task requires authorisation before running then second user must select authorise

3. Amend Delivery Positions

        a. Click on Amend Positions -> Amend for selected **Product**

        b. Amend delivery positions as required

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4. Amend Basic Allocation
   c. Click on Amend Basic Allocation -> Amend for selected **Product**
   d. Amend basic allocation as required

Amend Basic Allocation (Prompt Date : 31/03/2010, Contract : SCA)

Back | Save | Clear

Total number of Warrants available to Allocate : 0
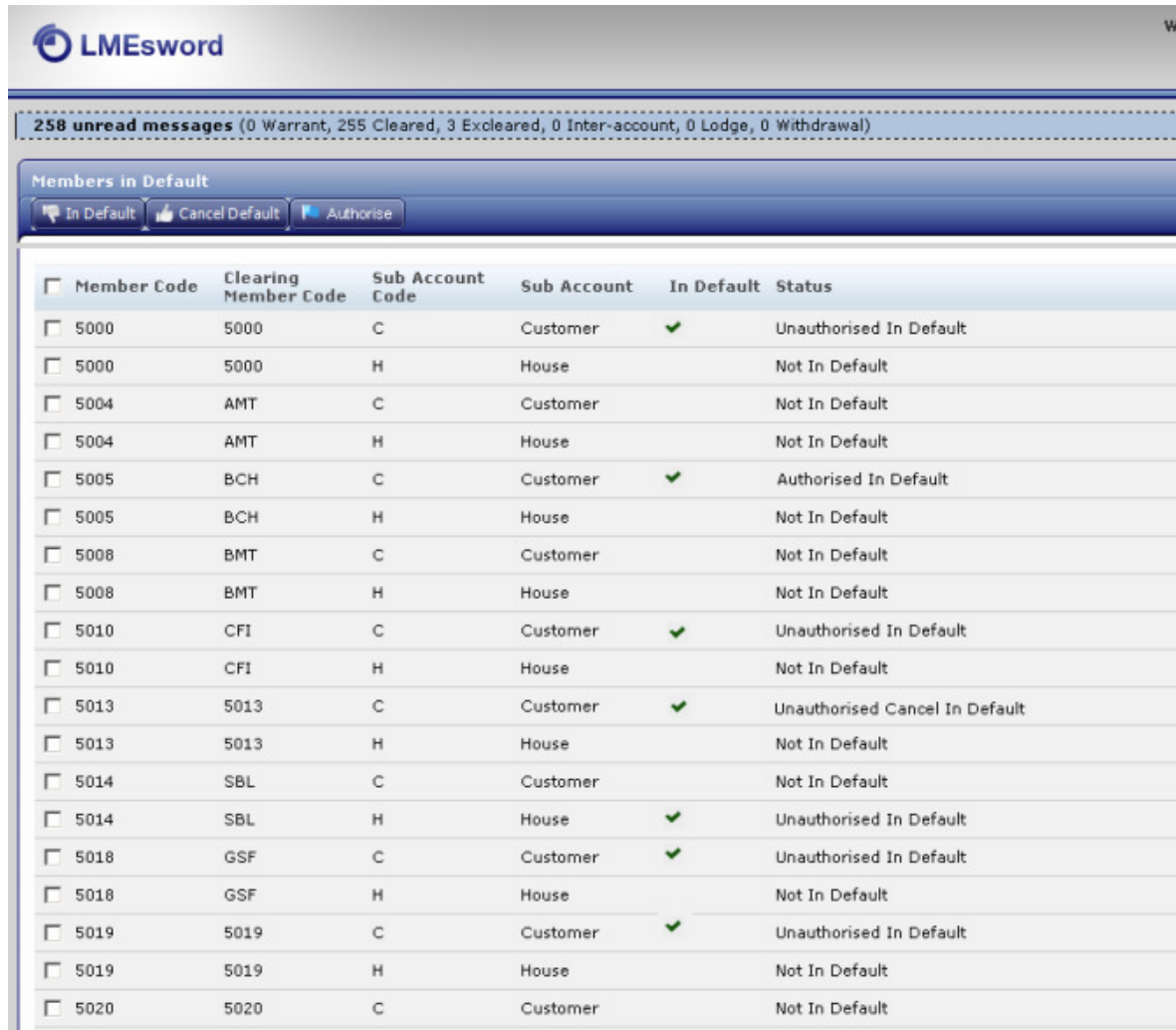
Member	Sub Account	Current Entitlement	Delivered	Total Allocated	Current Allocation	Amended Allocation
TAH	H	2	0	0		
		2	**0**	**0**	**0**	**0**

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Set Member in Default

        a. Select Deliveries -> Member in Default

        b. Select checkbox for Member/Subaccount combination in Default

        c. Select **In Default**

        d. Select [Authorise] and authorise

Cancel Member in Default

        a. Select Deliveries -> Member in Default

        b. Select checkbox for Member/Subaccount combination to remove from being in Default

        c. Select **Cancel Default**

        d. Select [Authorise] and authorise

LMEsword

258 unread messages (0 Warrant, 255 Cleared, 3 Excleared, 0 Inter-account, 0 Lodge, 0 Withdrawal)

Members in Default

[In Default] [Cancel Default] [Authorise]

	Member Code	Clearing Member Code	Sub Account Code	Sub Account	In Default	Status
☐	5000	5000	C	Customer	✔	Unauthorised In Default
☐	5000	5000	H	House		Not In Default
☐	5004	AMT	C	Customer		Not In Default
☐	5004	AMT	H	House		Not In Default
☐	5005	BCH	C	Customer	✔	Authorised In Default
☐	5005	BCH	H	House		Not In Default
☐	5008	BMT	C	Customer		Not In Default
☐	5008	BMT	H	House		Not In Default
☐	5010	CFI	C	Customer	✔	Unauthorised In Default
☐	5010	CFI	H	House		Not In Default
☐	5013	5013	C	Customer	✔	Unauthorised Cancel In Default
☐	5013	5013	H	House		Not In Default
☐	5014	SBL	C	Customer		Not In Default
☐	5014	SBL	H	House	✔	Unauthorised In Default
☐	5018	GSF	C	Customer	✔	Unauthorised In Default
☐	5018	GSF	H	House		Not In Default
☐	5019	5019	C	Customer	✔	Unauthorised In Default
☐	5019	5019	H	House		Not In Default
☐	5020	5020	C	Customer		Not In Default

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Reporting
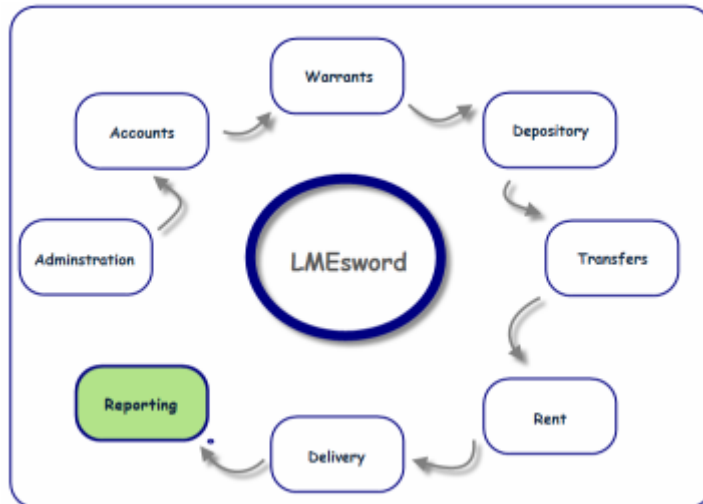
a. Select Reports → Reports menu from the main screen
b. The reports screen appears with a list of all the reports available to you.
c. Select the desired report; this will be generated by LMEsword and presented on the right hand side of the browser.
d. Some reports may require you to enter parameters such as:
    a. Business date
    b. Instruction ID
    c. Warrant Number
    d. Prompt Date
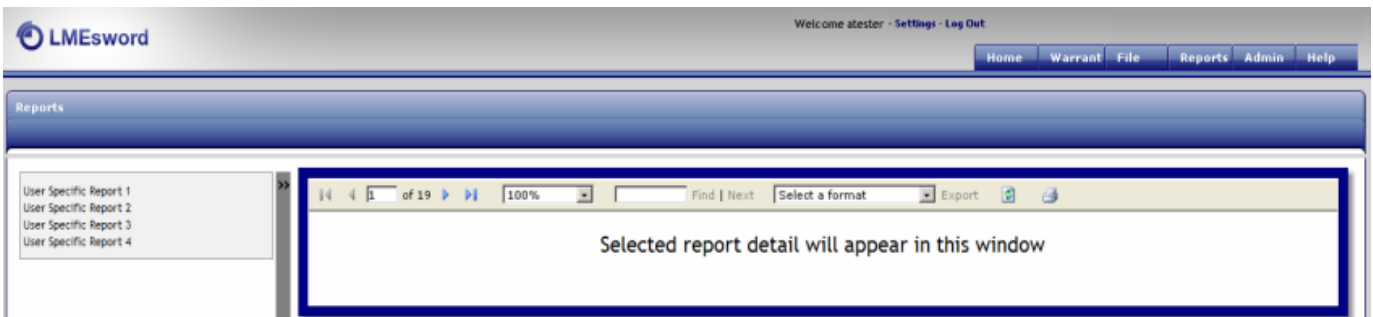
e. Once generated you can use the report menu to;
    i.   **navigate** through the report
    ii.   **resize** the **view** of the report i.e. zoom in and zoom out
    iii. perform an alpha/numeric **search** on the displayed report
    iv.   change the **format** of the report and then **export** the **file** to your local drives
    v.   **refresh** the report to pick up new data
    vi.   **print** the report

Please review table below to see which reports will specifically be made available to you.

Ref	Report	Member	London Agent	Physical Ops	Compliance	Depository	Clearing
1	Daily Activity Report	Yes	Yes				
2	Expiry -By Warehouse Company			Yes	Yes		
3	Expiry - Cancelled Overview			Yes	Yes		
4	Expiry - End of Month By Tonnage	Yes	Yes	Yes	Yes		
5	Expiry - End of Month By Warrant	Yes	Yes	Yes	Yes		
6	Expiry - Forecast Breakdown	Yes	Yes	Yes	Yes		
7	Expiry - Forecast Consolidation	Yes	Yes	Yes	Yes		
8	Expiry - Forecast Totals	Yes	Yes	Yes	Yes		
9	Specific Warrant Details	Yes	Yes	Yes	Yes		
10	Warrants by Account	Yes					Yes
11	Withdrawal Notification	Yes	Yes	Yes	Yes		
12	Rule Book - Brand Data		Yes	Yes	Yes		
13	Rule Book - Warehouse Data		Yes	Yes	Yes		
14	LME Grade/Location Restrictions		Yes	Yes	Yes		
15	LME Stock Consolidation Report		Yes	Yes	Yes		
16	LME Stock Report Breakdown			Yes	Yes		
17	LME Stock Report Breakdown Summary			Yes	Yes		
18	LME Stock Report Totals			Yes	Yes		
19	LME Stock Report Totals Summary			Yes	Yes		
20	LME Stock Levy Report by Tonnage			Yes	Yes		
21	LME Stock Levy Report by Rent			Yes	Yes		
22	Outstanding Lodge & Withdraws					Yes	
23	Completed Lodgements and Withdraws					Yes	
24	Downloads as defined in interfaces	Yes	Yes	Yes	Yes		
37	Warrant Lodge Delivery Receipt	Yes					
38	Warrant lodge report					Yes	
39	Warrant Lodge Acknowledgement					Yes	
40	Warrant Withdrawal request	Yes					
41	Warrant Withdrawal report					Yes	
42	Warrant withdrawal acknowledgement					Yes	
25	Outstanding Lodge/Withdrawal Report					Yes	
26	Warrants		Yes				
27	Cleared Transfer Reports						Yes
28	Delivery Collection Report						Yes
29	Delivery Allocation Report						Yes
30	Warrant Collection Adjustment Invoice						Yes
31	Warrant Allocation Adjustment Invoice						Yes
32	Late delivery report				Yes		Yes
33	Vault check report					Yes	
34	Warrant Life History - Summary		Yes	Yes			
35	Warrant Life History - Detail		Yes	Yes			
36	Stocks.dat						Yes

LONDON METAL EXCHANGE

To**:**   ALL CLEARING MEMBERS, SWORD NON-MEMBER ACCOUNT
HOLDERS,
WAREHOUSE COMPANIES AND LONDON AGENTS

Date**:**   7 April 2010

Ref**:**   10/131 : A126

Subject**:**   **LMEsword – OPERATING PROCEDURES**

Summary

LMEsword will go-live on 12 April 2010. A copy of the LMEsword Operating
Procedures is attached to this notice.

Operating Procedures

A copy of the LMEsword Operating Procedures is attached to this notice. The
LMEsword Operating Procedures have previously been circulated to participants by
email and are also available through the LMEsword system.

Tom Hine
LMEsword Business Project Manager

cc: Board directors
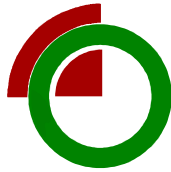
LONDON METAL EXCHANGE

---------From the Deputy Chief Executive

To:	ALL MEMBERS
Ref:	10/170 : A165 : R006
Date:	6 May 2010
Subject:	**EXPLANATION OF METAL LENDING GUIDANCE**

Summary

1   The schedule to this notice replaces schedule 1 to LME notice 05/377, dated 15 December 2005, as an explanation of the Lending Guidance for LME metals contracts.

Background

2   Market Aberrations: The Way Forward was published by the Exchange in October 1998 as an attachment to LME notice 98/363. Paragraph 13.24 of the Market Aberrations document sets out the Lending Guidance that applies to the holders of dominant long positions in the LME metals markets.

3   LME notice 05/377 formalised the rules and procedures relating to the operation of the Lending Guidance. Although referred to as guidance, compliance with the Lending Guidance is an LME rule.

4   Schedule 1 to that notice set out a clarification and explanation of a number of practical aspects of the Lending Guidance. The terms of the Lending Guidance are clear in their intent and in the behaviour expected of a dominant position holder. However, the Board recognised that trading on the LME markets requires a certain level of expertise and that it would be useful for participants in the markets if the Exchange set out a clarification and explanation of a number of practical aspects of the Lending Guidance.

5   LME notice 08/034, dated 31 January 2008, suspended the five–day rule under the Lending Guidance. That suspension is still in place and therefore the explanation of the Lending Guidance needs to be amended to reflect that. The schedule attached to this notice sets out an up to date clarification and explanation of the Lending Guidance for metals. The main changes to the text of the schedule are:-

(a)   a note to paragraph 1 that the five-day rule has been suspended;

(b)   a new paragraph 6 that expands the explanation on the aggregation of positions;

(c)   the two paragraphs on the five-day rule have been marked as not relevant while the five-day rule is suspended;

(d)   "LME Select" has been changed to "LMEselect"; and

(e)   a reference in paragraph 30 that all relevant LME notices are available on the LME website.

Origin of the Lending Guidance

6   The market aberrations document dealt with a number of issues relating to the LME metal markets and their regulation.   The document was the result of a consultation process that started in October 1997 and included the Solutions to Market Aberrations consultation document (attached to LME notice 98/007) published in March 1998.   The full Market Aberrations document is available on the LME website www.lme.com in a printable format.

7   The Solutions to Market Aberrations consultation document proposed a number of mechanisms for dealing with dominant positions in the LME markets. The Lending Guidance was formulated by the Board as the solution that best fitted the structure of the LME markets.

8   Prior to the introduction of the Lending Guidance, the Exchange's response to the effect of dominant positions in the markets was to introduce backwardation limits.   However, there were two aspects of this use of backwardation limits that were heavily criticised.   First, the backwardation limits were not specific to dominant position holders and obliged all long position holders to lend their positions for a day at no more than a premium set by the Exchange. Secondly, the need to announce the imposition of the backwardation limits with immediate effect gave the markets no notice and made the application of backwardation limits unpredictable.

9   The Lending Guidance addresses both of these concerns. It creates an obligation on the holder or holders of a dominant position to lend at the required levels but creates no obligation on the holder of a long position that is not dominant. The Market Aberrations document provides that a dominant position can be created by two or more parties acting together.   The circumstances in which the Lending Guidance takes effect are known in advance which introduces an element of predictability in the event that there is a dominant position in any of the LME markets.

10   It has been argued before the LME Special Committee that the Lending Guidance is in itself the cause of market distortion where warranted stocks are low. In the Committee's view, if there is such distortion, it is minimal and is

more than offset by the maintenance of orderly trading for the nearest prompt dates.

Diarmuid O'Hegarty

cc: Board directors
        Special Committee

Schedule

LENDING GUIDANCE

CLARIFICATION AND EXPLANATION

6 MAY 2010

LENDING GUIDANCE

1   Paragraph 13.24 of Market Aberrations: The Way Forward (published by the Exchange in October 1998) sets out the terms of the Lending Guidance as follows:-

[a]   If at any time a member or client holds 50% or more of the warrants and/or cash today/cash positions in relation to stocks, he should be prepared to lend, if asked, at no more than a premium of ½% of the cash price for a day. [*After five successive days, he should be prepared to lend, if asked, at no more than a premium of ¼% of the cash price for a day.*]

[b]   If at any time a member or client holds 80% or more of the warrants and/or cash today/cash positions in relation to stocks, he should be prepared to lend, if asked, at no more than a premium of ¼% of the cash price for a day. [*After five successive days, the maximum premium would fall to 0.15%.*]

[c]   If at any time a member or client holds 90% or more of the warrants and/or cash today/cash positions in relation to stocks, he should be prepared to lend, if asked, at no more than the cash price.

[d]   As with the publication of large position information, in determining the application of the guidelines, it would be appropriate for the LME to aggregate the positions of a client across all brokers in reaching its estimate of dominant positions. Likewise it would be appropriate to aggregate the positions of a member, its related group companies and its clients unless the firm could demonstrate that the positions were independent.

* Five-day rule suspended: see LME notice 08/034, dated 31 January 2008*

HOW TO CALCULATE A DOMINANT POSITION

2   The basis of a relevant position in any metal for the purposes of the Lending Guidance is the total of a person's warrant holding ("W"), net Tom trading positions ("T") and net cash trading positions ("C"). This is referred to as the net WTC position and is expressed in lots. That net WTC position is

divided by the number of live LME warrants for that metal. The result of (W + T + C) ÷ (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 LME warrants were 1,500, the WTC position would be 91.20%.

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

3   The denominator used is live warrants rather than total stock. Total LME stock in each metal is the sum of live warrants and cancelled stock. This means that if a dominant position holder reduces his warrant holding by cancelling warrants, he will also be reducing the denominator used to calculate the size of his dominant position.

4   The resulting percentage forms the basis for calculating the number of lots that a dominant position holder must be prepared to lend. The Lending Guidance treats a WTC position of 50% and above as dominant. This means that a position holder is subject to the Lending Guidance until his 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. 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 his 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.

5   The figures used in calculating a WTC position are those reported by members to the Exchange by 8.30am each business day. The figures relate to the WTC positions as at the close of business on the previous business day. Each member's reports separately identify the W, T and C positions held on behalf of the member and the W, T and C positions held by each of its clients, including any of the member's affiliate companies. This enables the Exchange to aggregate the WTC positions held by a client across two or more members.

6   The Exchange automatically aggregates the WTC positions of companies in the same group. The Exchange will also aggregate the WTC positions of unconnected parties if the LME Compliance Department believes that there is a common purpose. In such cases the Exchange will inform the parties either direct or through the members with whom they trade. LME notice 99/075, dated 26 February 1999, sets out the basis on which the Exchange will aggregate the positions of two or more parties. LME notice 01/122, dated 23 March 2001, sets out the Exchange's approach for attributing and aggregating warrant holdings for the purposes of the Lending Guidance.

7   The net WTC positions are divided by the number of live warrants as at the same point in time, the close of business the previous day. The live

warrant figures used are the same as those included in the stock figures published by the Exchange at 9.00am each business day.

8   As WTC positions are calculated each morning on the basis of figures as at the close of business on the previous 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 Lending Guidance, the dominant position holder should be prepared "to lend" Tom/next (or one of the Tom date carries).

HOW A DOMINANT POSITION TRIGGERS THE LENDING GUIDANCE

9   The Lending Guidance operates in three effective bands. The first is where a WTC position is 50% or more but less than 80% of live warrants. The second band is where a WTC position is 80% or more but less than 90% of live warrants. The third band is where a WTC position is 90% or more of live warrants.

10   The effect of this banding is that where a person's WTC position is above 90% of live warrants he should be prepared to lend for a day:

(a)   at no premium (i.e. "level") a sufficient number of lots to reduce his position below 90%;

(b)   at a premium of no more than ¼% of the cash price a sufficient number of lots to reduce his position below 80%; and

(c)   at a premium of no more than ½% of the cash price a sufficient number of lots to reduce his position below 50%.

11   The cash price used to calculate the premium each business day is the LME official cash settlement price published the previous business day. The maximum premium percentage is expressed as a US dollar amount rounded down to the nearest cent.

12   In the following example the notional WTC figures are the same as those used in paragraphs 2 and 4 above, i.e. the dominant position of 91.20% requires the holder to be prepared to lend 619 lots to reduce his position below 50%. The notional cash price being used is $2,000.

Lending Guidance Percentage Bands	Position Holder's Dominance in lots	Maximum Premium
90% and above	19	level
80% to 89.99%	150	$5.00
50% to 79.99%	<u>450</u>	$10.00
	total 619	

13   The Lending Guidance states that a dominant position holder "should be prepared to lend, if asked". This expression means that the dominant position holder should respond to demand in the market for borrowing at the premium set by the Lending Guidance. 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 lending guidance. In the example at paragraph 11 above, the dominant position holder should be prepared:-

(a)   to lend at least 19 lots at level if the Tom/next backwardation premium bid in the market reaches level. If the backwardation premium bid in the market stays below $5.00 he is not obliged to lend more than those 19 lots;

(b)   to lend an additional 150 lots at a premium of no more than $5.00 if the backwardation premium bid in the market reaches $5.00. If the backwardation premium bid in the market stays below $10.00 he will not be obliged to lend more than 169 lots (i.e. 150 lots at no more than $5.00 and 19 lots at no more than level);

(c)   to lend an additional 450 lots at a premium of no more than $10.00 if the backwardation premium bid in the market reaches $10.00. Once he has reduced his position below 50% he is no longer obliged to lend and those who wish to borrow will have to bid out the price until someone is prepared to lend.

14   If the dominant position holder chooses to continue lending, the maximum backwardation premium does not apply to any additional lending done after he has reduced his position below 50%.

15   Lending Tom/next involves selling for the Tom Prompt Date and buying for the cash Prompt Date. Where a dominant position holder reduces his WTC position on one day by lending Tom/next, he will be adding to his C position for the purposes of calculating his WTC position the next morning. This explains how a person may abide by the Lending Guidance but maintain a dominant position on successive days.

*   *The following two paragraphs are not relevant while the five-day rule has been suspended.*

     [*Dominant positions are also subject to reduced maximum premiums after the dominant position has been held for more than five successive business days. On the sixth and subsequent successive business days a WTC position of 50% or more but less than 80% of live warrants is subject to a maximum premium of ¼% of the cash price. On the sixth and subsequent successive days a WTC position of 80% or more but less than 90% of live warrants is subject to a maximum premium of 0.15% of the cash price. The purpose of this reduction in the maximum premium is to take account of the effect of a dominant position over time.]

[*If, for example, a dominant position has fluctuated between 60% and 85% for five successive days, the reduced maximum premium of ¼% will apply to the WTC position of 50% or more but less than 80%; no reduction will apply to the position of 80% or more until that has been maintained for five successive days. The calculation of successive business days recommences following any day on which the Tom/next market in the relevant metal did not trade at a backwardation but only traded at level or at a contango.]

HOW TO COMPLY WITH THE LENDING GUIDANCE

16   The Lending Guidance is an obligation placed on those who hold a dominant long position in any of the LME metal markets. The holder of the dominant position is ultimately responsible for his own compliance with the Lending Guidance. This is the case both for members and non-members. In the case of a non-member, compliance with the Lending Guidance requires the non-member to give appropriate instructions to one or more of his brokers.

17   The LME Compliance Department calculates dominant positions on the basis of position reports submitted electronically by members. Members must notify the Exchange of the identity of all position holders and of any connections between two or more position holders. Details of new account holders must be notified to the Exchange before that new account starts trading. Where the LME Compliance Department identifies a dominant position, the holder of that position will be contacted both to confirm the figures used to calculate the dominant position and to discuss any steps to be taken. These steps could include adjustments to a WTC position to account for OTC business being brought on Exchange that day. Many non-members prefer to have these discussions direct with the LME Compliance Department rather than go through one or more of their brokers. Although, both members and non-members may discuss their WTC positions with the LME Compliance Department, the holder of a dominant position is best placed to know the size of his own WTC positions. Once the LME stock figures are published at 9.00am, a position holder is able to calculate whether or not his net WTC position triggers the Lending Guidance.

18   Increases or decreases in the LME warrant figures from the previous day's figures may affect whether a WTC position is dominant or whether the dominance exceeds the 80% or 90% thresholds and by how many lots. For this reason a dominant position holder is entitled to wait until the LME stock figures are published before complying with the Lending Guidance. However, if a dominant position holder chooses to lend before 9.00am, that lending must be in compliance with the Lending Guidance. If there has been a material change in the live warrant figures, the dominant position holder may have to adjust some of the trades he did before the LME stock figures were published in order to ensure that his lending has complied with the Lending Guidance.

19   Lending in compliance with the Lending Guidance must be done in the correct order. If a dominant WTC position is above 90%, the position holder must lend at level a sufficient number of lots to bring his position below 90% before he may lend at a premium of ¼% of the cash price. Similarly, he must lend at a premium of no more than ¼% of the cash price a sufficient number of lots to bring his position below 80% before he may lend at a premium of ½% of the cash price. He must have reduced his position below 50% before he may lend at a premium greater than those specified by the Lending Guidance.

20   The LME provides three forums for trading: in the ring, on LMEselect and on the telephone. A dominant position holder should be prepared to respond to requests for borrowing in all three forums. A dominant position holder is not obliged to verify if the person borrowing from him is doing so to cover a short. However, the purpose of the Lending Guidance is to address the effect of his dominant position on those who are short. It would be an abuse of the Lending Guidance for a dominant position holder to contrive to lend to another person at the specified premium with the intention that that other person could lend in the market at a higher premium.

Lending on LMEselect

21   A bid on LMEselect is a request to the market. A dominant position holder must respond to bids on LMEselect where those bids reach the premium at which the dominant position holder must be prepared to lend. 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 Lending Guidance, a dominant position holder must trade with that bid to identify the borrower and subsequently adjust the price back to the correct premium. This adjustment cannot be done on LMEselect but requires a reversal trade and a new trade at the correct premium to be agreed on the telephone. If the circumstances suggest that bids for Tom/next borrowing on LMEselect will be higher that the backwardation premiums at which the dominant position holder will be obliged to lend, the dominant position holder should behave prudently and consider placing offers on LMEselect to anticipate bidding. This will avoid the need for adjustment trades.

22   If the dominant position holder is not a clearing member, he must make arrangements with his broker to take the necessary steps to respond to bids on LMEselect and to make adjustments where necessary.

Lending in the Ring

23   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 his WTC position below 50% by the start of the first ring must respond to bids in the ring where those bids reach the premium at which the dominant position holder must be prepared to lend.

24   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 the ring trading regulations 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, he must ensure that he responds to bids and that any lending he does is at premiums no higher than the premium prescribed by the Lending Guidance. In order to ensure this and to abide by the ring trading regulations, it may be necessary for the dominant position holder to offer to lend. If the circumstances suggest that Tom/next trading in the ring is likely to start at higher premiums, the dominant position holder should be prepared to open the ring with an offer before any bid is made.

25   If the dominant position holder in these circumstances is not a ring dealing member, he must make arrangements in good time for a ring dealing member to effect the necessary lending on his behalf.

BROKERS INSTRUCTED BY DOMINANT CLIENTS

26   There are a number of considerations that a member must take into account when acting for a client who is dominant. In particular, the member must ensure that his actions comply with the FSA Code of Market Conduct and the FSA Conduct of Business Rules.

27   If a member is instructed by a client to lend a number of lots at a particular backwardation premium, that instruction is an order for the purposes of FSA rules. In executing that order, the member must manage any conflicts of interest, must not misuse customer information or breach the FSA Code of Market Conduct. For example, it is clearly wrong for a member who is acting for a dominant position holder to borrow from that dominant position holder, or to collude with someone else to borrow from that dominant position holder, at the premium prescribed by the Lending Guidance with a view to lending in the market at a higher premium. Nothing that the member does should frustrate the dominant client's willingness or ability to lend to bidders in the market.

28   A member who receives an order from a client to lend in accordance with the Lending Guidance may already have orders from other clients to borrow. In situations like that, the member must be careful to comply with the FSA's rules on order priority and fair allocation.   In those circumstances the member must also keep in mind the responsibility on a dominant position holder to respond to bids on LME Select or in the ring. If he receives an order from a client to lend in accordance with the Lending Guidance and already has a bid on LMEselect that represents a client wishing to borrow he should cancel that bid on LMEselect before crossing the borrowing client's order with the dominant client's lending order.

29   When a member receives instructions from a client to lend in accordance with the Lending Guidance, that member will be in possession of privileged customer information. The member must be careful not to take

advantage of that information and should give priority to his own clients who are short and to bids on LMEselect or in the ring over his house shorts.

CONCLUSION

30   All LME notices referred to in this document are available on the LME website. Those who would like any further clarification or explanation of the Lending Guidance should contact the Market Surveillance division of the LME Compliance Department at the Exchange: marketsurveillance@lme.com.

LONDON METAL EXCHANGE

---------From Head of Market Surveillance

To: CATEGORY 1 AND 2 MEMBERS

Ref: 10/240 : R233

Date: 22 July 2010

Subject: **MEMBER INDICATIVE QUOTES – CONFIRMATION**

Summary

1   This notice confirms the change to the Exchange's policy on Member Indicative Quotes proposed in LME notice 10/171.

Background

2   LME notice 10/171 : A166, dated 6 May 2010, consulted on proposals to change the Exchange's policy for the interpretation of regulation 4.1.2 of part 3 of the LME rules and regulations.   Regulation 4.1.2 requires Category 1 and 2 members who have been notified by the Exchange to input indicative futures quotes ("Member Indicative Quotes") into the Exchanges price reporting system.   The consultation period closed on 11 June 2010. The Exchange received no objections to the proposals. The LME board at its meeting today confirmed the changes to the policy on Member Indicative Quotes with effect from 27 September 2010. The new terms and conditions for Member Indicative Quotes will also apply from that date.

3   The Exchange will replace the current price reporting system used by members to input indicative quotes with a new price reporting system ("LMEmiq") on 27 September 2010. LMEmiq will allow members to input indicative quotes direct into the system without the need to use a Reuters or Bloomberg terminal.   The current policy on Member Indicative Quotes predates the introduction of LMEselect. Since then, bids and offers in LMEselect have superseded the indicative quotes as the best pre-trade transparency during LMEselect hours.   For that reason, the Exchange is using the opportunity of the introduction of LMEmiq to revise the policy on Member Indicative Quotes.

Policy

4   The new policy on Member Indicative Quotes will require notified category 1 and 2 members to input indicative quotes during those parts of the trading day when

LMEselect is closed. The new policy also changes the assessment of those members who will be notified. The relevant period for inputting indicative quotes will be the combined period of 19:00 to 24:00 on any Business Day and 00:01 to 01:00 on the following Business Day. Members will be notified if they conduct 1.5% or more of total volume of each contract type traded during that period. LME Market Surveillance staff will notify members, based on volume data for May, June and July 2010, that they will be obliged to contribute indicative quotes in the last calendar quarter of 2010 starting from 1 October 2010. Category 1 and 2 members who have not been notified will still be able to voluntarily input indicative quotes. Notification will only apply to futures contracts but LMEmiq will allow members to voluntarily input indicative options volatility quotes as well.

5   Queries regarding this notice should be addressed to the following at the LME:-
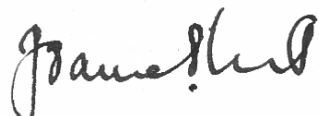
Technical issues: LMEhelpdesk@lme.com   02074882500
Compliance issues: Marketsurveillance@lme.com   02072645692

6   Attached are the following Appendices:-

A   The LME board's new policy on Member Indicative Quotes

B   New terms and conditions for Member Indicative Quotes.

C   Details of how to connect to LMEmiq.

Joanna Stuart

cc: Board directors

APPENDIX A

POLICY

MEMBER INDICATIVE PRICE QUOTATIONS

The following sets out the LME board's policy for the interpretation of regulation 4.1.2 of part 3 (trading regulations) of the LME rules and regulations.

1.   Both ring dealing and associate broker clearing members will be required to input into the LME's price reporting system (LMEmiq) in respect of every LME futures contract type in which they trade actively.

2.   "Input Period" shall mean the combined period of 19:00 to 24:00 on any Business Day and 24:01 to 01:00 on the following Business Day.

3.   Inputs will be required for each futures contract type in which the member's active trading accounts for 1.5% or more of the total volume traded in respect of that contract type during the Input Period. The Executive will calculate the market shares on a rolling three monthly basis and update the list of required contributors at the beginning of each calendar quarter for the ensuing quarter.

4.   Contributors will be required to update the prices for the futures contract types they quote at least six times during the Input Period at meaningful intervals.

5.   This means that new inputs should be made throughout the Input Period, whether or not prices have moved. Where prices are highly volatile inputs should be more frequent. Failure to input and update quotes reasonably throughout the Input Period may attract automatic financial penalties.

6.   Contributors must generally be prepared to trade reasonable volumes with users of the market at the indicative prices input, in normal market circumstances. Any material or consistent divergences between the indicative prices quoted by contributors and those at which they actually trade will be investigated and dealt with on a case by case basis.   Penalties will be imposed on contributors repeatedly refusing to trade in normal market circumstances at their indicative prices.

7.   The LME compliance department will use the compliance support system to compare indicative prices quoted by contributors, and those at which they actually trade.

8.   A high standard of accuracy in inputting prices will naturally be expected, but errors will doubtless creep in from time to time. Those will normally be picked

up through the executive's checking procedures. Contributors whose inputs are repeatedly and regularly inaccurate will be fined. It is difficult to specify too precisely what would be classed as repeatedly inaccurate, but, as an indication, at least 90% of the input prices should be accurate.

9. The emphasis in the compliance department's monitoring is on 'reasonable volumes' in 'normal market circumstances', on 'material and consistent divergences', and on 'repeatedly refusing to trade'.   All contributors will be expected to keep to the spirit of any guidelines, rather than any precise yardsticks.

10. Where prices are highly volatile and the market is moving rapidly actual prices may run ahead of the broker's ability to input the latest quotes. Such occurrences will, however, be rare.

11. Inputting errors aside, there will sometimes be valid reasons for the prices of actual trades with users of the market to diverge from indicative screen prices.   The broker may have concerns about the motivations and/or creditworthiness of the counterparty, or might believe that the tonnage requested would move the price.   In such circumstances the compliance department would be understanding, unless there were a repeated pattern of such excuses.

APPENDIX B

**LONDON METAL EXCHANGE
PRICE REPORTING SYSTEM
TERMS AND CONDITIONS**

1.   The following terms and conditions apply to all LME members for the time being subject to a notification under rule 4.1.3 of part 3, trading regulations, of the LME's rules and regulations. By inputting Information, Contributors agree to adhere to these terms and conditions.

2.   In these terms and conditions the following words and expressions shall have the following meanings:

Contributor	A Ring Dealing Member or an Associate Broker Clearing Member who has been notified by the LME under rule 4.1.3 of the Rules.
Far Forward Contract	A Contract with a Prompt Date of more than three months as specified in the Schedule.
Information	Indicative price quotes for Contracts as specified in paragraph 3.7 below and the Schedule.
Intellectual Property Rights	All intellectual property, including patents, utility models, trade and service marks, trade or business names, domain names, rights in designs, copyrights, moral rights, topography rights, and rights in databases and rights in trade secrets and confidential information, in all cases whether or not registered or registrable in any country for the full term of such rights including any extension to or renewal of the terms of such rights and including registrations and applications for registration of any of these and rights to apply for the same and all rights and forms of protection of a similar nature or having equivalent or similar effect to any of these anywhere in the world.
LME	The London Metal Exchange Limited
Nearby Contract	A Contract with a Prompt Date of up to and including three months as specified in the Schedule.
Rules	The rules and regulations of the LME as amended from time to time and including, for the avoidance of doubt, any guidance to those rules and regulations issued by the LME.

Schedule   The schedule to these terms and conditions.

System   The LME's price reporting service, currently known as the LME Vendor Feed System established by the LME in conjunction with Reuters, including any amended or replacement system established by the LME, either by itself or in conjunction with any other party.

Words and expressions defined in the Rules shall have the same meaning in these terms and conditions. Words importing the singular shall, where the context permits, include the plural and vice versa. Words importing persons shall, where the context permits or requires, include partnerships and corporations.

3.   Inputting Information

3.1   A Contributor shall input Information into the System by means of a web browser and high speed network (private network or the internet), or such other contributor facility designated by the LME on not less than three months' written notice.

3.2   A Contributor shall input Information in respect of Nearby Contracts manually and without the use of electronic aids or computer driven spreadsheets. In particular, information denominated in sterling must not be input by automatic means on a change in exchange rates.

3.3   A Contributor may use computer-driven spreadsheets to assist in the contribution of Information in respect of Far Forward Contracts provided that the systems used are manually operated and result in the generation of prices that reflect real price movements. Spreadsheets must not be externally triggered on a timed basis or as a result of a change in another Member's quoted prices.

3.4   A Contributor must not input Information in respect of a particular type of Contract during the Ring-trading period for that type of Contract and an Associate Broker Clearing Member must not input Information during kerb-trading periods.

3.5   A Contributor must not abuse the System by entering excessive volumes of Information in a continuous or concentrated manner.

3.6   A Contributor must obtain the written consent of the LME, such consent not to be unreasonably withheld, prior to changing its method or systems for inputting Information and must liaise with the LME when implementing any new or revised systems or method of inputting.

3.7   Information in respect of each type of Contract:-

a) must be input in bid/ask format;
b) must quote prices for Nearby Contracts;
c) must only be quoted in US dollars;
d) may quote prices in respect of Far Forward Contracts; and
e) must not quote prices or include other information which does not comply with any of (a) to (d) above.

3.8 Each Contributor undertakes that any person inputting information into the System on its behalf has its proper authority to do so and has been given adequate training.

3.9 A Contributor may use an agent to perform its obligations to input Information but will be responsible for the actions of that agent as if they were the actions of the Contributor.

4. Licence

4.1 Each Contributor grants to the LME the following rights in and licences over the Information input into the System:

a) To supply the Information to third parties by means of the System;
b) To use the Information in hard or soft copy form for its own purposes or for submission to other exchanges or regulatory bodies in such manner (and at such times) as the LME thinks fit;
c) To consolidate the Information with Information input by one or more other Contributors (or otherwise);
d) To use or license others to use any of the information in a consolidated form with other information obtained or generated by the LME.

4.2 All other Intellectual Property Rights, including copyright, in the Information input into the System by a Contributor shall remain the property of that Contributor. However, each Contributor acknowledges that all Intellectual Property Rights in any information derived from the consolidated Information input by more than one Contributor, shall remain vested in the LME.

4.3 Each Contributor acknowledges that all Intellectual Property Rights in Information input into the System by another Contributor shall be and remain in that other Contributor. Each Contributor acknowledges that all Intellectual Property Rights in information generated or disseminated by the LME (such as, but not limited to, the LME's Official Prices, Unofficial Closing Prices, Closing Prices, Ring and kerb prices, official high and low prices, stock reports, volume reports and market-open-interest reports) shall be and remain in the LME.

4.4 Should the LME use Information input into the System by any Contributor other than in a form consolidated with Information input by one or more other contributors, it will, if so requested in writing, identify Information input by a Contributor as having been input by that Contributor.

4.5 Each Contributor undertakes that Information which it has input into the System, or any information which conforms with the Information it is obliged to input into the System, shall not be publicised or made available to third parties by electronic means unless:

a) it is the same as Information input into the System by that Contributor,
b) it is disseminated no sooner than it is input into the System, and
c) access to it is made available only to a known, closed user group.

5. Liability

5.1 The LME shall not be liable for any loss or damage arising from:

a) any faults or delays in the System,
b) any inaccuracies or omissions in the Information displayed by the System, or
c) any breakdown in links between a Contributor and the System.

5.2 Contributors undertake that Information input into the System shall not comprise administrative messages, defamatory or advertising material or any information the dissemination of which is contrary to any legal or regulatory requirement or any of the Rules.

6. Termination

In the event that any Contributor is no longer obliged to input Information into the System, any rights or obligations in respect of the System accrued to that date shall continue.

7. Changes to the Terms and Conditions

The LME may amend these terms and conditions on giving Contributors not less than one month's notice in writing.

SCHEDULE
TO
LME PRICE REPORTING SYSTEM
TERMS AND CONDITIONS

1.   INDICATIVE FUTURE PRICES, NEARBY CONTRACTS

Contributors inputting Information in respect of a Contract type must input a bid/ask price for each of the following Contracts:

Three month outright
Cash to three month spread
First nearby month to three month spread
Second nearby month to three month spread
Third nearby month to three month spread

2.   INDICATIVE FUTURE PRICES, FAR FORWARD CONTRACTS

Contributors inputting Information in respect of any Contract type may, with the written agreement of the LME, input a bid/ask price for the following Contracts:

For copper, aluminium, zinc, lead, nickel, aluminium alloy and NASAAC: spreads from three months to 27 months.
For tin, cobalt, molybdenum and steel billet: spreads from three months to 15 months.
For the LMEX: outright values from three months to 12 months.

APPENDIX C

CONNECTING TO LMEmiq

Members will be able to start connectivity testing to LMEmiq from 18 August 2010 to 27 September 2010

Connectivity to the MIQ application will be via two methods.

1. Web Browser
2. CD Installable Client

Members will need to verify that their security policies (i.e. firewalls) will permit access to the Exchange for the following

- Production
  - 205.217.5.81 on ports tcp/443 and tcp/5026
  - 205.217.5.145 on ports tcp/443 and tcp/5026

- Member Test Environment
  - 165.193.145.212 on ports tcp/443 and tcp/5026

Since the new LMEmiq GUI client uses SSL at logon, and previous versions don't, the only compatible client will be the one delivered with this release, i.e. v1.3.0 or later.

The Java version required will be 1.5.0_11

A CD will be released on 16 August 2010 with the CD Installable Client executable and installation notes. The CD will also include the MIQ Client User Guide. Members will be able to start connectivity testing on 18 August 2010.

LMEmiq system is available 24/5 but closed on UK bank holidays and weekends. The new system will be available for voluntary inputs starting on Monday 27 September for a week. Members who are required to input under the revised policy of indicative quotes will commence on Friday 1 October 2010 when LMEselect is closed (at 19:00 until midnight and from Monday 4 October from 00:00 to 01:00)

Please address your technical and systems queries to the LME's helpdesk where all issues will be logged:

LMEhelpdesk@lme.com   020 7488 2500

LONDON METAL EXCHANGE

To: Category 1 and Category 2 Members

Ref: 10/300 : A294

Date: 17 September 2010

Subject: **AMENDMENT TO LMESELECT ORDER TO TRADE RATIO POLICY**

Summary

The order to trade ratio on LMEselect will change to 20 to 1 for all full sized contracts and there will be no order to trade ratio for LMEmini contracts with effect from Monday 20 September 2010.

Background

The current LMEselect order to trade ratio is 12 order actions for every 1 trade with the exception that the order to trade ratio for copper and primary aluminium is 20 order actions for every 1 trade between 08:00 and 18:00 London time (see notice 06/324 : A320 and 08/444 : A427).

The LME Executive Committee (Excom) has amended the LMEselect order to trade ratio policy to 20 order actions for every 1 trade for all full sized contracts during LMEselect opening hours with effect from **Monday 20 September 2010.**

Excom has also amended the LMEselect order to trade ratio policy by removing the LMEmini copper, LMEmini primary aluminium and LMEmini zinc contracts from the policy until further notice with effect from **Monday 20 September 2010.**

Members are reminded that the Exchange retains the right to restrict or suspend access should the Exchange determine that message usage by any Member becomes capable of impairing the orderly conduct of trading on LMEselect. It is the responsibility of members who offer the facility for clients to order route to LMEselect to ensure that their clients are aware of the policy. Excom will continue to review the policy on a regular basis.

If you have any questions on this matter, please contact the LMEhelpdesk on 0207 488 2500 or by email at lmehelpdesk@lme.com.

Glen Chalkley
Deputy Head of Business Development

Cc: Board of directors

LONDON METAL EXCHANGE

To: CATEGORY 1 AND CATEGORY 2 MEMBERS

Ref: 11/106 : A102

Date: 28 April 2011

Subject: **AMENDMENT TO LMESELECT ORDER TO TRADE RATIO POLICY**

Summary

1   The LMEselect order to trade ratio policy has been amended with effect from 31 May 2011. This notice should be read in conjunction with LME notice 11/107.

Background

2   This notice replaces LME notices 06/324, 08/444 and 10/300.

Order to trade Ratio Policy

3   With effect from 31 May 2011 the order to trade ratio policy for trading full sized contracts on LMEselect will apply separately to each LMEselect FIX key and each GUI user that enters more than 20,000 orders during a trading day. The policy will have three triggers:-

(a)   if the ratio of orders to trades generated by an LMEselect FIX key or GUI user exceeds 20:1 as an average during a trading day the Exchange will charge the relevant member in respect of that LMEselect FIX key or GUI user a daily fee of £2,500;

(b)   if the ratio of orders to trades generated by an LMEselect FIX key or GUI user exceeds 25:1 as an average during a trading day the Exchange will charge the relevant member in respect of that LMEselect FIX key or GUI user a daily fee of £10,000; and

(c)   if the ratio of orders to trades generated by an LMEselect FIX key or GUI user exceeds 30:1 as an average during a trading day the Exchange will suspend access to LMEselect for that LMEselect FIX key or GUI user until such time as the member responsible for that LMEselect FIX key or GUI user has satisfied the Exchange that sufficient controls have been put in place to ensure that the order to trade ratio generated from that LMEselect FIX key or GUI user will not exceed 30:1.

4   The new order to trade ratio policy has been designed to ensure orderly conduct of trading on LMEselect and to protect LME and member systems. It should be read in

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conjunction with the LMEselect message throttling policy set out in LME notice 11/107 issued today.

5   The Exchange reserves the right to restrict or suspend access to LMEselect if the Exchange determines in its absolute discretion that message usage generated from any LMEselect FIX key, GUI user or from any member connection becomes capable of impairing the orderly conduct of trading on LMEselect.

6   It is the responsibility of each member who offers LMEselect order-routing facilities to clients to ensure that its clients are aware of the LMEselect order to trade ratio policy.

7   If you have any questions on this matter please contact the LMEhelpdesk on 020 7488 2500 or by email at lmehelpdesk@lme.com

Andrew Williams
Director, Systems Operations

cc: Board directors
        Trading committee

LONDON METAL EXCHANGE

To: CATEGORY 1 AND CATEGORY 2 MEMBERS

Ref: 11/107 : A103

Date: 28 April 2011

Subject: **IMPLEMENTATION OF THROTTLING POLICY ON LMESELECT**

Summary

1   Set out below is the Exchange's message throttling policy for LMEselect. This notice should be read in conjunction with LME notice 11/106.

Background

2   LMEselect currently accepts all incoming order entry, update, cancellation and execution requests as and when they are received, regardless of frequency or volume of input.

3   From today the Exchange will introduce a throttling limit which will limit the maximum number of order entry/updates that can take place to 40 per second for each LMEselect FIX key or GUI user.

4   Order entry/updates submitted in excess of the throttling limit in any given second will be queued by the system and smoothed over the following seconds according to the throttling limit maximum. Transactions will not be rejected.

5   For example, a burst of 80 order entry/update instructions in one second would result in acceptance of the first 40 instructions during one second with the remaining instructions being smoothed evenly over the following second. Orders submitted subsequent to the burst would be added to the queue and smoothed accordingly.

6   The LME will not be responsible for missed opportunities resulting from order smoothing delays to order entry/update acceptance as a result of throttling.

7   The policy of throttling incoming order entry, update, cancellation and execution requests is designed to ensure orderly conduct of trading on LMEselect and to protect LME and member systems. This notice should be read in conjunction with the LMEselect order to trade ratio policy set out in LME notice 11/106 issued today.

8   If you have any questions on this matter, please contact the LME helpdesk on 020 7488 2500 or by email at lmehelpdesk@lme.com.

Andrew Williams
Director, Systems Operations

cc: Board directors
        Trading committee

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To: All Members

Ref: 11/269 : R008

Date: 15 September 2011

Subject: **CONSOLIDATED MATCHING RULES FOR LMEsmart 2011**

Summary

1   This notice consolidates and replaces LME notice 09/431 : A422, Matching Rules for LMEsmart and incorporates changes made by notices 11/182, 11/129 and 10/388.

Background

2   LME notice 09/431 was the previous consolidated matching notice and has been superseded by this LME notice. The table in Appendix A of LME notice 09/431 that mapped the LCH.Clearnet MCS trade types to the new LMEsmart trade categories has not been repeated in this notice.

2   LME notice 11/182 : A176 confirmed the proposal set out in LME Notice 11/035 : A034 to introduce a new trade category in LMEsmart. The new FINANCING trade category will be available for recording LME contracts in LMEsmart from the end of September 2011. The rules governing trade entry for this trade category are set out in Section 3 of this notice.

3   LME notice 11/129 : R006 : W054 confirmed the immediate withdrawal of Cleared Average Price Swaps (CAPS) from LME Rules. As a consequence, the CAPS trade category has been removed from LMEsmart and from Section 3 of this notice.

4   LME notice 10/388 : A379 announced the launch of the LME's OTC Gold Clearing Service. The release of LMEsmart that accompanied the launch of this service also provided Category 1 members with the ability to record Basis Ring trades between themselves using the C and D time codes. The rules governing the use of the C* and D* time codes are set out in Section 5 of this notice.

5   The forthcoming release of LMEsmart will also include new functionality to assist members with the administration of the LCH.Clearnet Client Account. Trade Categories used to signify the movement of positions between members have been extended to include the registration of LME Client Contracts. The rules governing the use of the extended trade categories are covered under Section 3 of this notice.

THE LONDON METAL EXCHANGE LIMITED | 56 Leadenhall Street, London EC3A 2DX

Tel +44 (0)20 7264 5555 | **Fax** +44 (0)20 7680 0505 | **Email** info@lme.com

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Implementation of the rules

4   The consolidated matching rules for LMEsmart will become effective with the implementation of the new LMEsmart release scheduled for the end of September 2011. Members will be advised of the timing of the implementation in due course.

C. Hampson.

Gillian Hampson
Head of Member Surveillance

cc: Board directors

CONSOLIDATED MATCHING RULES FOR LMEsmart, 2011

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LIST OF NOTICES THAT THIS NOTICE CONSOLIDATES AND REPLACES

This notice consolidates and replaces the rules set out in notices:-

99/326: A315: R027	(Timing of Trades Between Ring Dealing Members and other Counterparties/Customers)
99/487: A475: R037	(Timing of Trades Between Ring Dealing Members and other Counterparties/Customers and Between Associate Broker Members and Ring Dealing Members)
00/418: A410	(Registration of Client Crosses)
01/305:A:305:R10	(Definition of End of Business Day for Option Declaration)
01/402: A402: R011	(Rules for the use of Trade Types for the LME Matching and Clearing System)
01/232: A232: R07	(Rules on the Movement of LME Positions)
02/150: A150: R015	(Matching Periods for and Trade Times of Trades Entered into the LME Matching and Clearing System)
05/002: A002	(Matching of Trades for Non LME Business days)
05/067: A067: R002	(Rules on the Matching and Registration of Plastic Futures Contracts)
05/258: A252: R014	(New Rules On Matching Deadlines)
08/126: A122	(Revised Matching Deadlines with the Introduction of the LME Steel Contract)
08/155: A150: R012	(Compulsory Use of Short Codes for Matching)
08/322: R021	(Trade Times When Using Short Codes)
09/328: A321: R008	(Consolidated Matching Rules for LMEsmart)
09/431 : A422	(Matching Rules for LMEsmart)

GENERAL INFORMATION ABOUT LMEsmart

1 LMEsmart uses Trade Categories to identify different types of LME transactions. The 14 Trade Categories are used in conjunction with trade entry fields, namely "price type", "venue" and "4-way agreement", to define particular trades. The use of Trade Categories applies to transactions in Future Outright trades, Future Carry trades, Option trades and TAPO trades executed in the rings or kerbs, in the telephone market, via LMEselect, or in the OTC market that are subsequently brought On-Exchange.

2 Use of the 14 Trade Categories listed below is explained in detail in Section 3 of this Notice:

- NORMAL
- GIVE UP EXECUTOR
- GIVE UP CLEARER
- MEMBER CLEARING
- OTC BRING ON
- OTC TAKE OFF
- TRANSFER SEND
- TRANSFER RECEIVE
- REVERSAL
- CORRECTION
- HISTORIC PRICE CARRY
- OPTION EXPIRY FUTURE
- EXCEPTION
- FINANCING

3 LMEsmart is available for trade input from 06:00 until 20:00. Requests for extensions to the 13:30 matching deadline for Tom trades must be made to LME Matching Operations by 13:15. Extensions to the 20:00 trade input deadline will only be granted in exceptional circumstances and must be made to LME Matching Operations by 19:45 (email: lmematching@lme.com; Tel. +44 (0)20 7488 2500). Full details of the LMEsmart operating hours are set out in the LMEsmart Member Operating Guide available at www.lmeprojects.net.

4 Exchange trade halves that match in LMEsmart from 06:00 will be transmitted to LCH.Clearnet for clearing as soon as the LCH Gateway (LCH G/W) opens. Similarly client contracts registered in LMEsmart for the segregated sub account from 06:00 will be transmitted to LCH.Clearnet for registration as soon as the LCH G/W opens. Exchange contracts and segregated client contracts that have been successfully received by LCH.Clearnet will have an LMEsmart trade status of "CT" –

Cleared Trade. Non segregated client contracts may be registered in LMEsmart from 06:00. These trades will be retained in the system and will have an LMEsmart status of "NC" – Not to Clearing.

5   LMEselect trades executed from 01:00 will be held in a queue in LMEselect until the LMEsmart Select G/W opens. LMEselect trades are matched automatically in LMEsmart and transmitted to LCH.Clearnet for clearing as soon as the LCH G/W opens.

6   The traded price or premium and lot size of all trades transmitted by LMEsmart to LCH.Clearnet for registration are validated by LCH.Clearnet. Matched trades that fail validation at LCH.Clearnet will show as Suspended Trades in LMEsmart and will have a trade status of "MR – Matched and Rejected". Trades that remain in LCH suspension at the close of LMEsmart trade input will be deemed to be "Abandoned" in LMEsmart and the trade status will be set to "AB". Members may re-enter these as new trades on the next business day.

7   For a full explanation of all LMEsmart trade statuses please refer to the document Trade/Clearing Status Mapping 03/03/2010 available at www.lmeprojects.net.

8   LMEsmart has a number of trade entry validations that will result in trades being rejected at the entry point into LMEsmart, for example trades that contain a future time in the trade time field will be rejected by LMEsmart. These entries will have an LMEsmart status of "Rejected".

9   When submitting carry trades into LMEsmart, members must follow market convention and enter the basis leg first regardless of the prompt date order of the trade legs.

LMEsmart TRADE CATEGORIES

1   LMEsmart uses Trade Categories in conjunction with trade entry fields to identify different types of LME transactions. This notice sets out the Trade Categories and trade entry fields to be used when entering trades into LMEsmart.

2   There are two types of LME contract: An Exchange contract which is a contract between two clearing members, and a client contract which is a contract between an LME clearing member and any other person other than another clearing member, or a contract between an Associate Broker member and another person.

3   The following table sets out the Trade Categories that apply to Exchange contracts only, those that apply to client contracts only, and those that apply to both.

LMEsmart Trade Category	LME Exchange Contract	LME Client Contract
NORMAL	Yes	Yes
GIVE-UP EXECUTOR	Yes	No
GIVE-UP CLEARER	Yes	Yes
MEMBER CLEARING	Yes	Yes
HISTORIC PRICE CARRY	No	Yes
OPTION EXPIRY FUTURE	Yes	Yes
REVERSAL	Yes	Yes
CORRECTION	Yes	Yes
EXCEPTION	Yes	Yes
OTC BRING ON	Yes	Yes
OTC TAKE OFF	No	Yes
TRANSFER SEND	Yes	Yes
TRANSFER RECEIVE	Yes	Yes
FINANCING	Yes	Yes

4   The 14 Trade Categories listed above are used in conjunction with trade entry fields, namely "price type", "venue", and "4-way agreement" to define particular trades. Trade Category is a matching field in LMEsmart.

5   The price type entry field can be populated by "Current", "Average" or "Historic" but not all are valid for each Trade Category. Price type is a matching field in LMEsmart.

6   The "Current" price type must be used to record transactions executed at current market prices and input into LMEsmart on the day of trade (TD) or on trade date plus one (TD+1).

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7   The "Average" price type must be used to record trades executed at different prices for the same prompt date on the same business day, which are then netted together to form one entry at a weighted average price in LMEsmart or to record trades executed simultaneously for consecutive prompt dates at one average price, such as a "strip". The "Average" price type may also be used to record multi leg carry trades where the non basis legs are for consecutive prompt dates executed at an average price such as 3's to the Average of a year. In all cases, a full audit trail must be maintained in order to demonstrate the derivation of the final price. The "Average" price type can only be used to record transactions in LMEsmart on the day of trade (TD) or on trade date plus one (TD+1).

8   The "Historic" price type must be used to record transactions in LMEsmart where the trade date is two or more business days old, for example a transaction that is not entered into LMEsmart on (TD) or (TD+1) using the "Current" or "Average" price type must be recorded as "Historic" (this ensures that these transactions are not eligible for dissemination on the live post trade transparency feed). Members wishing to input a trade with an average, historic price should use the "Historic" price type. Trades entered into LMEsmart on trade date plus two (TD+2) etc. within the **NORMAL** Trade Category with a "Current" or "Average" price type, will be rejected by LMEsmart.

9   The venue entry field denotes where the price discovery of a trade occurred and can be populated with "Ring", "Basis Ring", "Telephone", "Select", or "OTC". Trades entered into LMEsmart with the venue field identified as "Ring" must have a short time code "R*" or "K*" entered in the trade time field. Trades entered into LMEsmart with the venue field identified as "Basis Ring" must have a short time code "C*" or "D*" entered in the trade time field. Trades executed behind the ring and in the telephone market must be entered into LMEsmart with the venue field identified as "Telephone" and with a trade time of HH:MM in the trade time field. Trades that are agreed outside the ring or kerb sessions or behind the ring using the S, B or C price codes must be input into LMEsmart with the absolute time the trade was agreed as the trade time. Trades that are agreed using the S, B or C price codes during a ring or kerb session when the relevant metal is trading, must be input into LMEsmart with the corresponding R, K, C or D time code depending on the counterparty.

10   Trades that are executed in LMEselect will be matched automatically in LMEsmart and will have the venue field identified as "Select". Client trades that result from order-routing into LMEselect must be entered into LMEsmart with the venue field identified as "Select" (this applies to client trades where back-to-back Exchange contracts are generated **AND** client trades that cross in LMEselect creating volume but no Exchange contract). Order-routed client trades that are subsequently adjusted or amalgamated to form one entry at a weighted average price must be entered into LMEsmart with the venue field identified as "Telephone" and the price type identified as "Current" or "Average" as appropriate. For "Average" price trades, the trade time entered into LMEsmart is the time the final average price is discovered. Order-routed client trades that are subsequently given up must be entered into LMEsmart with the venue field identified as "Telephone". Give-up trades cannot have "Select" as the venue in LMEsmart. Category 3 members utilising the order-routing services of Category 1 and 2 members must enter the order-routed

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trades into LMEsmart with the venue field identified as "Telephone". Category 3 members do not have direct access to LMEselect so these Exchange contracts cannot match with "Select" as the venue.

11   In the event that members are required to manually match a member to member trade executed in LMEselect, the Exchange contract entered into LMEsmart must have the venue field identified as "Select".

12   In the event that a trade executed in LMEselect requires an adjustment as a result of Lending Guidance, members must follow the procedure set out in LME Notice 05/377 : A370 : R016 Lending Guidance for LME Metals. The LMEselect trade must be reversed in LMEsmart using the **REVERSAL** Trade Category and the new adjusted trade entered using the **NORMAL** Trade Category. For both the **REVERSAL** and **NORMAL** entries, the price type must be identified as "Current" and the venue as "Telephone".

13   Trades where the price discovery occurred in the OTC market must be entered into LMEsmart using the appropriate Trade Category and with the venue field identified as "OTC". The OTC venue will apply to, for example, OTC switches, OTC to On-Exchange transactions, financing transactions and the fixed and floating legs of average price contracts, APCs. The venue field is a matching field in LMEsmart. Subsequent corrections to these transactions occur On-Exchange and therefore "OTC" is not a valid selection for the **REVERSAL** and **CORRECTION** Trade Categories.

14   The 4-way agreement entry field applies to Metal Swap transactions only and reflects the regulatory requirement to have a 4-way agreement in place prior to entering into such a transaction. Metal Swaps are processed using the **TRANSFER SEND/TRANSFER RECEIVE** Trade Categories in LMEsmart with the 4-way agreement entry field set to "Yes". The default setting for regular **TRANSFER SEND/TRANSFER RECEIVE** entries in LMEsmart for the 4-way agreement field is "No". The 4-way agreement trade entry field is a matching field in LMEsmart.

15   The volatility entry field in LMEsmart is an optional entry field and is therefore not a matching field. This trade entry field is for use with traded options and TAPOs. Where the volatility of an option/TAPO is recorded as part of the audit trail of a transaction, members are requested to submit this information in the volatility, ("Vol"), field in LMEsmart.

16   The customer ID field, ("Cust"), in LMEsmart is a mandatory entry field for LME client contracts. Members are required to enter the same codes in LMEsmart as used to identify their customers in the Daily Position Reporting System (DPRS). Where a DPRS code covers a number of sub accounts within a member's back office system, these sub accounts may be submitted in the customer ID field in LMEsmart. Members must be able to demonstrate how these sub accounts are grouped together under a DPRS code for reporting purposes if required to do so.

17   Some LME members utilise the Client Account at LCH.Clearnet as a method for providing segregation of client funds. Accordingly, members are required to identify the client sub account as either "N" – non segregated or "C" – segregated when registering client contracts in LMEsmart. Sub account combinations "N:C" and

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"C:N" are not valid entries; the client sub account "N" – non segregated or "C" – segregated must always be entered against "H" – house when registering a client contract in LMEsmart. Members moving positions into or out of the segregated account at LCH.Clearnet will need to follow the procedures detailed under the relevant Trade Categories.

TRADE CATEGORY - NORMAL

18   The **NORMAL** Trade Category is used to enter current market price trades executed on the ring, basis the ring, in the telephone market or via LMEselect. The following table sets out the valid combinations of price type and venue that can be used in conjunction with the **NORMAL** Trade Category in LMEsmart.

19   The **NORMAL** Trade Category is also used when members are required to manually match a member to member trade executed in LMEselect or when adjusting trades executed in LMEselect following the application of the Lending Guidance.

Trade Category	Price Type	Venue	4-Way Agreement	Time Format	Exchange Contract	Client Contract
NORMAL	CURRENT	TELEPHONE	NO	HH:MM	Yes	Yes
NORMAL	CURRENT	RING	NO	R* or K*	Yes	No
NORMAL	CURRENT	BASIS RING	NO	C* or D*	Yes	Yes
NORMAL	CURRENT	SELECT	NO	HH:MM	Yes	Yes
NORMAL	AVERAGE	TELEPHONE	NO	HH:MM	Yes	Yes
NORMAL	AVERAGE	RING	NO	R* or K*	Yes	No
NORMAL	AVERAGE	BASIS RING	NO	C* or D*	Yes	Yes

20   The table above shows the valid combinations of trade entry fields for the **NORMAL** Trade Category in LMEsmart. Price type, venue and 4-way agreement are matching fields. If the time of trade is expressed as a time code (R*, K*, C*, D*), then this field is also a matching field in LMEsmart.

TRADE CATEGORIES - GIVE UP EXECUTOR AND GIVE UP CLEARER

21   A give-up is a trade executed by one member, the LME executor that is given up to another member, the LME clearer, for the account of a common customer. The LME executor must enter his trade half using the **GIVE-UP EXECUTOR** Trade Category and the LME clearer must enter his trade half using the **GIVE-UP CLEARER** Trade Category. A **GIVE UP EXECUTOR** trade half can only match with a **GIVE UP CLEARER** trade half. Following matching, the LME clearer must register the client contract using the **GIVE-UP CLEARER** Trade Category using the same

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trade details as the Exchange contract. The volume of client contracts allocated must equal the volume given up to the LME clearer. Give-up trades must be registered on Trade Date (TD) or Trade Date plus one (TD+1) using the "Current" or "Average" price types.

22   Give-ups registered in LMEsmart after (TD+1) must be entered using the "Historic" price type and are referred to as late give-ups. Members are **NOT** required to seek the permission of the LME Member Surveillance Department prior to matching a late give-up, but each must maintain a full audit trail and be able to explain, if required to do so, why the trade(s) were not processed on (TD) or (TD+1).

23   The venue field for give-ups in LMEsmart will be "Telephone" or "OTC" for average price contracts brought On-Exchange and then given-up. Give-up trades cannot have "Select" as the venue in LMEsmart.

24   The following criteria apply to all give-ups registered in LMEsmart:

a)   A fully executed give-up agreement must be in place before the trade is executed. All clients that may be allocated trades under the give-up arrangement must be included in the agreement or in an addendum to the agreement. Clients may be included in the form of codes or account numbers. Members must be able to demonstrate how a client code or account number relates to a particular give-up agreement if required to do so. For each client code or account number, the clearing member must be able to provide the identity of the underlying customer.

b)   The trade date is the date of execution of the trade.

c)   The price type is "Current" or "Average" (for average strips and weighted average price trades) for trades entered on (TD) or (TD+1).

d)   The price type is "Historic" for trades entered on (TD+2) etc.

e)   The venue is "Telephone" unless the original price discovery was made in the OTC market in which case the venue is "OTC".

f)   A reference code identifying the customer on a give-up agreement must be agreed between the LME executor and the LME clearer and entered into the public reference field, PRF, in LMEsmart. The PRF can accept up to 12 characters; the first 5 characters constitute a matching field.

g)   Category 3 members cannot execute give-ups.

25   The table below shows the valid combinations of trade entry fields for the **GIVE UP EXECUTOR** and **GIVE UP CLEARER** Trade Categories in LMEsmart. Guidance has been given in the table to indicate the price type and venue combinations that support the current LME transaction types to assist members in the registration process.

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Trade Category	Price Type	Venue	4-Way Agreement	Time Format	Exchange Contract	Client Contract
GIVE-UP EXECUTOR	CURRENT	TELEPHONE	NO	HH:MM	Yes G/Up Normal	No
GIVE-UP EXECUTOR	CURRENT	OTC	NO	HH:MM	Yes G/Up APC	No
GIVE-UP EXECUTOR	AVERAGE	TELEPHONE	NO	HH:MM	Yes G/Up Av.	No
GIVE-UP EXECUTOR	AVERAGE	OTC	NO	HH:MM	Yes G/Up APC	No
GIVE-UP EXECUTOR	HISTORIC	TELEPHONE	NO	HH:MM	Yes Late G/Up	No
GIVE-UP EXECUTOR	HISTORIC	OTC	NO	HH:MM	Yes G/Up APC	No
GIVE-UP CLEARER	CURRENT	TELEPHONE	NO	HH:MM	Yes G/Up Normal	Yes G/Up Normal
GIVE-UP CLEARER	CURRENT	OTC	NO	HH:MM	Yes G/Up APC	Yes G/Up APC
GIVE-UP CLEARER	AVERAGE	TELEPHONE	NO	HH:MM	Yes G/Up Av.	Yes G/Up Av.
GIVE-UP CLEARER	AVERAGE	OTC	NO	HH:MM	Yes G/Up APC	Yes G/Up APC
GIVE-UP CLEARER	HISTORIC	TELEPHONE	NO	HH:MM	Yes Late G/Up	Yes Late G/Up
GIVE-UP CLEARER	HISTORIC	OTC	NO	HH:MM	Yes G/Up APC	Yes G/Up APC

TRADE CATEGORY - MEMBER CLEARING

26   The **MEMBER CLEARING** Trade Category is used for entering Clearing Switches and OTC Switches in LMEsmart and for managing the Client Account at LCH.Clearnet.

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27   Clearing Switches are entered using the **MEMBER CLEARING** Trade Category with the price type and venue set to "Current" and "Telephone" respectively.

28   OTC Switches are entered into LMEsmart using the **MEMBER CLEARING** Trade Category with the price type set to "Current", "Average" or "Historic" as appropriate and the venue set to "OTC".

29   A reference must be agreed by both parties to identify the common customer in the **MEMBER CLEARING** transaction and entered into the Public Reference Field, PRF, in LMEsmart. The first 5 characters in the 12 character PRF constitute a mandatory matching field. The PRF for the **MEMBER CLEARING** <u>client</u> contract is an optional entry field.

30   Transactions utilising the **MEMBER CLEARING** Trade Category may only be booked into the member's House Account at LCH.Clearnet. For Clearing Switches and OTC Switches there is normally no requirement for either member involved in the Exchange contract to register a client contract. However, if the position being cleared is held in a member's segregated Client Account at LCH.Clearnet, a client contract must be registered to signify the movement of the position between the House and Client Account prior to effecting the **MEMBER CLEARING** transaction.

31   When registering a Clearing Switch or OTC Switch for a segregated customer where a client contract has previously been registered utilising the segregated sub account ("C") at LCH.Clearnet, the member must first reverse the position out of the segregated sub account by registering a client contract using the **MEMBER CLEARING** or **REVERSAL** Trade Category in LMEsmart. This will move the position from the segregated sub account ("C") to the House Account ("H") of the member. The **MEMBER CLEARING** transaction between the two clearing members can then be entered. Where the **MEMBER CLEARING** or **REVERSAL** Trade Category is being used to manage the segregated sub account at LCH.Clearnet, the trade details of the client contract must be consistent with the details of the **MEMBER CLEARING** transaction.

32   For members who do not utilise the Client Account at LCH.Clearnet as a method for providing segregation of client funds, there is no requirement to register a client contract when effecting a **MEMBER CLEARING** transaction.

33   The **MEMBER CLEARING** transaction must not be carried out in order to avoid or evade other LME Rules, including rules relating to give-ups.

34   Members must maintain a full audit trail for all **MEMBER CLEARING** transactions.

35   As Category 3 members cannot issue LME client contracts they must not enter any **MEMBER CLEARING** transactions in LMEsmart.

36   The table below shows the valid combinations of trade entry fields for the **MEMBER CLEARING** Trade Category in LMEsmart. Guidance has been given in the table to indicate the price type and venue combinations that support the current transaction types to assist members in the registration process.

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Trade Category	Price Type	Venue	4-Way Agreement	Time Format	Exchange Contract	Client Contract
MEMBER CLEARING	CURRENT	TELEPHONE	NO	HH:MM	Yes (C/SW)	Yes
MEMBER CLEARING	CURRENT	OTC	NO	HH:MM	Yes (OTC/SW)	Yes
MEMBER CLEARING	AVERAGE	OTC	NO	HH:MM	Yes (OTC/SW)	Yes
MEMBER CLEARING	HISTORIC	OTC	NO	HH:MM	Yes (OTC/SW)	Yes

Clearing Switches and the MEMBER CLEARING Trade Category

37   Clearing Switches are transactions where underline existing On-Exchange customer positions are switched between members for the purpose of reducing or consolidating a **common customer's** delivery exposure for the Cash Today ("TOM") or Cash prompt date.

38   Clearing Switches are entered using the **MEMBER CLEARING** Trade Category with the price type and venue set to "Current" and "Telephone" respectively.

39   Before entering into a Clearing Switch, the client must have one or more LME registered client contracts which have been recorded as such in both LMEsmart and in the member's trading and financial records no later than the business day before the Clearing Switch transaction is made.

40   The only exception to the above will be when a customer, for legitimate commercial reasons, wishes to trade on the "Cash" or "TOM" prompt dates at the Official Settlement or current market price for the relevant prompt date in order to rationalise his delivery commitments i.e. there is no pre-existing LME position. Following execution and registration in the usual manner, these trades may then be included as part of a Clearing Switch transaction. If the client contract is for a segregated customer, the procedure set out in 31 above must be followed. Members should retain sufficient records to demonstrate that the "TOM" or "Cash" trade took place prior to registering the Clearing Switch transaction(s).

41   In order to register a Clearing Switch transaction, the following additional conditions apply:

a)   Clearing Switches cannot be entered into LMEsmart more than two business days before the relevant prompt date.

b)   The positions must be for the "Cash" or "TOM" prompt date.

c)   Clearing Switches must be priced at the Official Settlement Price for the relevant prompt date.

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d)   Clearing Switches must be recorded for the account of the same customer in the books and financial records of the members involved.

e)   A member must have suitable procedures in place to verify that it can allow or accept a Clearing Switch transaction.

f)   Clearing Switches processed for the "TOM" prompt date must be matched in accordance with the requirements for "TOM" trades given in the Trading and Matching Deadlines section of this Notice.

OTC Switches and the MEMBER CLEARING Trade Category

42   OTC Switches are transactions where an <u>existing</u> On-Exchange position at one LME member can be offset with an OTC position at another LME member for a common customer, or where an OTC position at one LME member can be offset with an <u>existing</u> On-Exchange position at another LME member for a common customer.

43   OTC Switches are entered into LMEsmart using the **MEMBER CLEARING** Trade Category with the price type set to "Current", "Average" or "Historic" as appropriate and the venue field set to "OTC".

44   Where a client wishes to offset an <u>existing</u> On-Exchange position at one LME member with an OTC position at another LME member, the OTC position must first be brought On-Exchange using the **OTC BRING ON** Trade Category. The position can then be switched between members using the **MEMBER CLEARING** Trade Category. The pricing basis, trade date, prompt date and tonnage should be the same for the **OTC BRING ON** and **MEMBER CLEARING** transactions.

45   Where a client wishes to offset an OTC position at one LME member with an <u>existing</u> On-Exchange position at another LME member, the position must first be switched between members using the **MEMBER CLEARING** Trade Category, and then the member with the OTC commitment must take the LME switch Off-Exchange using the **OTC TAKE OFF** Trade Category. The pricing basis, trade date, prompt date and tonnage should be the same for the **MEMBER CLEARING** and **OTC TAKE OFF** transactions.

46   In order to register an OTC Switch transaction, the following additional conditions apply:

a)   The **common** customer has an existing On-Exchange commitment with one member i.e. both sides cannot bring contracts On-Exchange.

b)   The circumstances surrounding the contract being brought On-Exchange prior to the OTC Switch being registered justify the use of this procedure. Members are reminded of their duty not to create disorderly markets i.e. the economic effect on the market of the transaction(s) should be neutral or immaterial.

c)   For each contract brought On-Exchange, the member must be able to provide full details of the relevant OTC commitments. The member must be able to demonstrate that the price used for the OTC client contract was a market

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price at the time the OTC contract was created. The LME client contract, registered using the **OTC BRING ON** Trade Category, must be for the same commitment and customer as the original OTC contract.

d)   In both cases, it is the responsibility of the member holding the client's OTC commitment to inform the counterparty member that this mechanism should be used and to identify the venue in LMEsmart as "OTC".

e)   OTC Switches may be priced at the original (OTC) contract price, current market price (usually the Closing Price for the relevant prompt date), or the Official Settlement Price if the position is for the "Cash" or "TOM" prompt date.

f)   Members may average or amalgamate prices for OTC Switches, i.e. a trade weighted average, 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 average/amalgamate different pricing bases.

TRADE CATEGORY - OTC BRING ON

OTC to On-Exchange Contracts

47   The **OTC BRING ON** Trade Category is used to convert an OTC contract between two LME members to an LME Exchange contract, **AND** an OTC contract between a CAT1, CAT2 or CAT4 member and his customer to an LME client contract.

48   In order to register an OTC to On-Exchange contract, members are required to use the **OTC BRING ON** Trade Category with the price type set to "Current", "Average" or "Historic" as appropriate and with the venue set to "OTC".

49   In order to register an **OTC BRING ON**, the following conditions apply:

a)   The trade date is the day the transaction is brought on Exchange.

b)   For each contract brought On-Exchange, the member must be able to provide full details of the relevant OTC commitments. The member must be able to demonstrate that the price used for the OTC client contract was a market price at the time the OTC contract was created. The LME contract, registered using the **OTC BRING ON** Trade Category, must be for the same contractual commitment as the original OTC contract.

c)   The circumstances surrounding the contract being brought On-Exchange justify the use of this procedure. Members are reminded of their duty not to create disorderly markets i.e. the economic effect on the market of the transaction should be neutral or immaterial.

d)   Contracts brought On-Exchange may be priced at the original (OTC) contract price, current market price (usually the Closing Price for the relevant prompt date), or the Official Settlement Price if the position is for the "Cash" or "TOM" prompt date.

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e)   Members may average or amalgamate prices for contracts brought On-Exchange, i.e. a trade weighted average, 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 average/amalgamate trades using different pricing bases.

f)   Members must maintain a full audit trail for OTC to On-Exchange transactions including the client instructions to register each position On-Exchange.

50   Examples of specific usage of the **OTC BRING ON** Trade Category for futures contracts also include the following:

a)   A trade becomes eligible for registration/matching within LMEsmart due to the prompt date now coinciding with a valid LME prompt date.

b)   A trade priced in a non-LME accepted currency is converted to an accepted LME currency via an FX conversion.

c)   A trade with an invalid LME prompt date is amended (Off-Exchange) to a valid LME prompt date.

51   Examples of specific usage of the **OTC BRING ON** Trade Category for Options contracts include the following:

a)   In certain circumstances the exercise of an OTC option may be for an LME client contract. This is a new LME contract and will require registration. If the exercise of the option follows that of LME Traded Options i.e. it results in a future contract for a third Wednesday prompt date of the relevant month, with its trade date being the declaration date of that month, the client contract should be registered using the **OTC BRING ON** Trade Category.

b)   If the resultant future is of a different structure i.e. it does not result in a futures contract for the third Wednesday of the relevant month, with its trade date being the declaration date of that month, the futures contract should be registered using the **EXCEPTION** Trade Category.

c)   The exercise of some OTC options may result in the creation of an LME Traded Option contract or an LME TAPO contract. In each of these circumstances, the Traded Option or TAPO contract should be registered using the **OTC BRING ON** Trade Category. The member will need to be able to demonstrate that the LME option reflects the contractual commitment of the OTC option.

52   Relationship with Part 2 Membership, Enforcement and Discipline paragraph 9.1.3 and Part 3 Trading Regulations paragraph 15.1 of the LME Rulebook:

a)   Paragraph 9.1.3, Part 2 Membership, Enforcement and Discipline of the LME rulebook, authorises the Executive Director: Regulation and Compliance to request information from members in circumstances where, in his opinion, an undesirable situation or improper trading practice has or may occur. In these

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circumstances, members will be expected to disclose the full details of all OTC relationships with customers that fall within the terms of the enquiry.

b) Paragraph 15.1 Trading Regulations, enables the Special Committee of the LME, if they 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, "may take such steps as in their absolute discretion they deem necessary to contain or rectify the situation and they may give directions to Members accordingly."

Average Price Contracts and the OTC BRING ON Trade Category

53   The **OTC BRING ON** Trade Category is also used to register average price contracts, APCs. An APC is a trade where the final contract price is unknown at the outset but is agreed on the basis of a series of future LME reference prices, usually to include a premium or discount. Members are required to use the **OTC BRING ON** Trade Category in conjunction with the "Average" price type and "OTC" venue to register APCs in LMEsmart.

54   Members may utilise the **OTC BRING ON** Trade Category to process trades relating to an APC:

a) When the pricing period for the APC is completed and the resultant final price is eligible for entry into LMEsmart.

b) To register the fixed price leg of a fixed vs floating APC on the original business day if the intention from the outset is to register the floating leg On-Exchange at the end of the pricing period.

c) When the fixed price leg of a fixed vs floating APC is registered/matched concurrently with the final priced floating leg.

d) To process the administrative rollover of futures trades relating to an APC.

e) The above list is not exhaustive and members should, where possible, match/register all contracts relating directly to an APC using this trade category if the intention is to issue an LME client or Exchange contract. LME trades transacted as hedges against an APC at current market prices should be processed using the **NORMAL** Trade Category not the **OTC BRING ON** Trade Category

55   The floating leg of an APC can only be given-up or moved once the pricing period is complete. The fixed leg and fully priced leg of an APC can be given-up or moved in the following circumstances:

a) Via the give-up mechanism if moved on the trade date when the fixed leg is executed or the floating leg is priced, using the **GIVE UP EXECUTOR** Trade Category in conjunction with the "Average" price type and "OTC" venue.

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b) Via the **TRANSFER SEND** mechanism on (TD+1) if the LME Executor of the APC registered the fixed leg and fully priced leg as client contracts in LMEsmart using the **OTC BRING ON** Trade Category in conjunction with the "Average" price type and "OTC" venue.

c) Via the OTC Switch mechanism (**MEMBER CLEARING** Trade Category) if the LME Executor of the APC registered the fixed leg and fully priced leg as client contracts in LMEsmart using the **OTC BRING ON** Trade Category in conjunction with the "Average" price type and "OTC" venue and the purpose of the transaction is offset.

56   In all circumstances, members must maintain a full audit trail to demonstrate how the final price was derived and how any trades processed using the **OTC BRING ON** Trade Category relate to an APC.

Summary for the OTC BRING ON Trade Category

57   The table below shows the valid combinations of trade entry fields for the **OTC BRING ON** Trade Category in LMEsmart.

58   In order to register an OTC to On-Exchange contract, members are required to use the **OTC BRING ON** Trade Category in conjunction with the appropriate price type and the venue "OTC". The "Current" price type must be used for **OTC BRING ON** entries processed on the day of trade (TD) or on trade date plus one (TD+1). The "Historic" price type must be used for **OTC BRING ON** entries where the price is two or more business days old.

59   In order to register an APC transaction, members are required to use the **OTC BRING ON** Trade Category in conjunction with the "Average" price type and the venue "OTC".

60   The Rules for bringing contracts On-Exchange should not be used to circumvent other LME Rules.

Trade Category	Price Type	Venue	4-Way Agreement	Time Format	Exchange Contract	Client Contract
OTC BRING ON	CURRENT	OTC	NO	HH:MM	Yes	Yes
OTC BRING ON	AVERAGE	OTC	NO	HH:MM	Yes	Yes
OTC BRING ON	HISTORIC	OTC	NO	HH:MM	Yes	Yes

TRADE CATEGORY - OTC TAKE OFF

61   The **OTC TAKE OFF** Trade Category is used to convert an LME <u>client contract</u> to an OTC contract. LME Exchange contracts cannot be taken Off-Exchange. In order to take a client contract Off-Exchange, members are required to

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use the **OTC TAKE OFF** Trade Category with the price type set to "Current", "Average" or "Historic" as appropriate and the venue set to "Telephone".

62   In order to register an **OTC TAKE OFF**, the following conditions apply:

a)   The customer has an On-Exchange commitment with an LME member.

b)   The trade date is the day the transaction is taken Off-Exchange.

c)   For each contract taken Off-Exchange, the member must be able to provide full details of the relevant LME client contract. The OTC contract created must be for the same contractual commitment as the original LME client contract.

d)   The circumstances surrounding the contract being taken Off-Exchange justify the use of this procedure. Members are reminded of their duty not to create disorderly markets i.e. the economic effect on the market of the transaction should be neutral or immaterial.

e)   Contracts taken Off-Exchange may be priced at the original "Historic" contract price or "Current" market price (usually the Closing Price for the relevant prompt date or the Official Settlement Price if the position is for the "Cash" or "TOM" prompt date). **N.B.** contracts taken Off-Exchange at a price other than the original contract price may leave residual monetary balances in members' systems. The "Current" price type must be used for **OTC TAKE OFF** entries processed on the day of trade (TD) or on trade date plus one (TD+1). The "Historic" price type must be used for **OTC TAKE OFF** entries where the price is two or more business days old.

f)   Members may average or amalgamate prices for contracts taken Off-Exchange, i.e. a trade weighted average, 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 average/amalgamate trades using different pricing bases. **N.B.** contracts taken Off-Exchange at a price other than a trade weighted average of the original contract prices may leave residual monetary balances in members' systems.

63   The rules for taking contracts Off-Exchange should not be used to circumvent other LME Rules.

64   Members must maintain a full audit trail for the **OTC TAKE OFF** transaction including the client instructions to take each position Off-Exchange.

65   Examples of specific usage of the **OTC TAKE OFF** Trade Category for client contracts include the following:

a)   A trade priced in an LME accepted currency is converted to a non-LME accepted currency via an FX conversion.

b)   In exceptional circumstances, a customer who has closed out all his LME positions may wish to realise the net profits/losses prior to maturity. In this

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instance, the LME member holding the customer's clearing account may process a series of **OTC TAKE OFF** entries and settle with the customer. This may be achieved by processing a contra trade weighted average of the longs and a contra trade weighted average of the shorts at the original contract prices, see 62 (e) and (f) above.

c)   In exceptional circumstances, a customer may wish to novate his LME client positions to another clearing customer within the same member firm. Before facilitating such an exercise, the member must undertake the appropriate checks in order to determine if the customer's request is for legitimate commercial reasons. Once satisfied with the purpose of the transaction, the member must put in place a three way agreement setting out the terms of the novation. The member may then process a series of **OTC TAKE OFF** entries as in 65 (b) above for the transferring customer and then register a series of **OTC BRING ON** entries for the receiving customer according to the rules set out in 47 to 49 above. Members must maintain a full audit trail to support the entries in LMEsmart including the customer's written request to effect the novation.

66   The table below shows the valid combinations of trade entry fields for the **OTC TAKE OFF** Trade Category in LMEsmart.

Trade Category	Price Type	Venue	4-Way Agreement	Time Format	Exchange Contract	Client Contract
OTC TAKE OFF	CURRENT	TELEPHONE	NO	HH:MM	No	Yes
OTC TAKE OFF	AVERAGE	TELEPHONE	NO	HH:MM	No	Yes
OTC TAKE OFF	HISTORIC	TELEPHONE	NO	HH:MM	No	Yes

TRADE CATEGORIES - TRANSFER SEND AND TRANSFER RECEIVE

Transfers

67   The **TRANSFER SEND** and **TRANSFER RECEIVE** Trade Categories are used to facilitate the movement of an existing LME client contract between LME members for a **common customer** and to manage the Client Account at LCH.Clearnet.

68   The member moving the position, the transferor, must use the **TRANSFER SEND** Trade Category. The member receiving the position, the transferee, must use the **TRANSFER RECEIVE** Trade Category. **A TRANSFER SEND** trade half can only match with a **TRANSFER RECEIVE** trade half.

69   In order to register a transfer in LMEsmart, members are required to use the **TRANSFER SEND** and **TRANSFER RECEIVE** Trade Categories with the price type

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set to "Current", "Average" or "Historic" as appropriate and with the venue set to "Telephone".

70   Before a member can register a transfer, the client must have one or more LME registered client contracts recorded in both LMEsmart and in the member's trading and financial records. The relevant LME registered client contract(s) must have been entered into LMEsmart no later than the business day before the transfer takes place. The member receiving the position must keep the contract On-Exchange until at least the business day following receipt of the transfer.

71   Exchange contracts used to signify the movement of customer trades between LME clearing members may only be booked into or out of the members House Accounts at LCH.Clearnet. For transfers, there is normally no requirement for either member involved in the Exchange contract to register a client contract. However, if the position is held or will be received into a member's segregated Client Account at LCH.Clearnet, a client contract must be registered to signify the movement of the position between the House and Client Account prior to remitting, or subsequent to receiving a segregated trade to/from another member.

72   For members who do not utilise the Client Account at LCH.Clearnet as a method for providing segregation of client funds, there is no requirement to register a client contract when effecting movements such as transfers for their customers.

73   For clearing members who have a Client Account at LCH.Clearnet for the purpose of registering segregated LME client contracts, the following procedure applies:

74   Members transferring a position out of the Client Account at LCH.Clearnet must first reverse the position by registering a client contract for the segregated sub account ("C") using the **TRANSFER SEND** or **REVERSAL** Trade Category in LMEsmart. This will move the position from the segregated sub account ("C") to the House Account ("H") of the transferring member.   The **TRANSFER SEND** transaction between the two clearing members can then be entered.

75   When a member receives a position from another member, utilising the **TRANSFER RECEIVE** Trade Category, that is destined for a segregated client, the position that is created in the House Account ("H") of the receiving member must be moved to the Client Account at LCH.Clearnet. This is achieved by registering a client contract for the segregated sub account ("C") using the **TRANSFER RECEIVE** or **EXCEPTION** Trade Category in LMEsmart.

76   Client contracts may be transferred at the original "Historic" contract price, or "Current" market price (usually the Closing Price for the relevant prompt date).

77   Members may average or amalgamate prices for the client contracts being transferred, i.e. a trade weighted average, 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 average/amalgamate trades using different pricing bases.

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78   Client contracts transferred at a price other than the original contract price or a trade weighted average of the original contract prices may leave residual monetary balances in the member's books.

79   In order to register a **TRANSFER SEND/TRANSFER RECEIVE** transaction, the following additional conditions apply:

a)   The trade date entered into LMEsmart is the date the transfer is agreed by all parties.

b)   The first 5 characters in the 12 character Public Reference Field, PRF, constitute a mandatory matching field in LMEsmart for the **TRANSFER SEND/TRANSFER RECEIVE** transaction between the two clearing members and a reference must be agreed by both parties to identify the common customer. The PRF for the **TRANSFER SEND** and **TRANSFER RECEIVE** <u>client</u> contracts is an optional entry field.

c)   The **TRANSFER SEND/ TRANSFER RECEIVE** transaction must not be carried out in order to avoid or evade other LME rules, including Rules relating to give-ups.

d)   Members must maintain a full audit trail for the **TRANSFER SEND/ TRANSFER RECEIVE** transaction(s) including the client instructions to effect the transfer.

80   As Category 3 members cannot issue LME client contracts they cannot enter **TRANSFER SEND/TRANSFER RECEIVE** transactions in LMEsmart.

81   The table below shows the valid combinations of trade entry fields for the **TRANSFER SEND** and **TRANSFER RECEIVE** Trade Categories in LMEsmart.

Trade Category	Price Type	Venue	4-Way Agreement	Time Format	Exchange Contract	Client Contract
TRANSFER SEND	CURRENT	TELEPHONE	NO	HH:MM	Yes	Yes
TRANSFER SEND	AVERAGE	TELEPHONE	NO	HH:MM	Yes	Yes
TRANSFER SEND	HISTORIC	TELEPHONE	NO	HH:MM	Yes	Yes
TRANSFER RECEIVE	CURRENT	TELEPHONE	NO	HH:MM	Yes	Yes
TRANSFER RECEIVE	AVERAGE	TELEPHONE	NO	HH:MM	Yes	Yes
TRANSFER RECEIVE	HISTORIC	TELEPHONE	NO	HH:MM	Yes	Yes

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Metal Position Swaps

82   The term metal position swap describes the practice whereby commercial trade users of physical metal swap/exchange an On-Exchange hedge and a commitment to deliver physical metal. The swap is facilitated by two LME members each of whom has one of the commercial trade users as a customer or by a single LME member who has both commercial trade users as customers. The trade recorded in the matching system is the movement of an LME position for a **non common** customer where both customers are commercial trade users of physical metal.

83   A commercial trade user is a company, other than a member (except for an Associate Trade Clearing Member), that has a requirement for the use of physical metal and is not a broker of Futures and/or Option trades.

Two Member Metal Position Swaps

84   The **TRANSFER SEND** and **TRANSFER RECEIVE** Trade Categories can be used to facilitate a metal position swap between two LME members for non common customers who are commercial trade users of physical metal.

85   The member moving the position, the transferor must use the **TRANSFER SEND** Trade Category. The member receiving the position, the transferee must use the **TRANSFER RECEIVE** Trade Category. **A TRANSFER SEND** trade half can only match with a **TRANSFER RECEIVE** trade half.

86   In order to register a metal position swap, members are required to use the **TRANSFER SEND** and **TRANSFER RECEIVE** Trade Categories in LMEsmart with the 4-way agreement trade entry field set to "yes" and the venue set to "Telephone". The price type can be set to "Current", "Average" or "Historic" as appropriate.

87   The table below shows the valid combinations of trade entry fields required to register a metal position swap in LMEsmart using the **TRANSFER SEND** and **TRANSFER RECEIVE** Trade Categories.

Trade Category	Price Type	Venue	4-Way Agreement	Time Format	Exchange Contract	Client Contract
TRANSFER SEND	CURRENT	TELEPHONE	YES	HH:MM	Yes	Yes
TRANSFER SEND	AVERAGE	TELEPHONE	YES	HH:MM	Yes	Yes
TRANSFER SEND	HISTORIC	TELEPHONE	YES	HH:MM	Yes	Yes
TRANSFER RECEIVE	CURRENT	TELEPHONE	YES	HH:MM	Yes	Yes
TRANSFER RECEIVE	AVERAGE	TELEPHONE	YES	HH:MM	Yes	Yes
TRANSFER RECEIVE	HISTORIC	TELEPHONE	YES	HH:MM	Yes	No

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88   Before a customer can swap his position to another customer, he must have one or more LME registered client contracts recorded as such in LMEsmart and in the first member's trading and financial records.

89   In order to register a metal position swap, the following additional conditions apply:

a)   Both members must ensure that a 4-way Metal Swap Agreement has been completed and each member must retain a copy of this agreement (a specimen 4-way Metal Swap Agreement is attached in Appendix A).

b)   The relevant LME registered client contracts must have been entered into LMEsmart no later than the business day before the metal swap takes place.

c)   Each LME member must have one of the commercial trade users involved in the transaction as an existing customer.

d)   The transaction must be properly documented and members should maintain a sufficient audit trial to explain the transaction. In particular, members must retain written evidence of their customer's request to move the position (as a minimum this must include the 4-way Metal Swap Agreement). Members who are conducting a series of inter-linked transactions, such as a strip may record such transactions on a single Metal Swap Agreement.

e)   The metal position swap can only be made at "Current" market price, (usually the Closing Price for the relevant prompt date), the original "Historic" contract price, or an aggregation of these prices for the position(s) being moved for each prompt date. Members may not average/amalgamate different pricing bases.

f)   The trade date entered into LMEsmart is the date the metal position swap is agreed and processed by all parties.

90   The metal position swap must not be carried out in order to avoid or evade other LME rules including rules relating to give-ups and must be for a commercial purpose.

91   The two LME members transacting the metal swap must agree a code to identify the customer receiving the position and enter this code in the PRF in LMEsmart.

92   When registering a metal position swap for a segregated customer, the transferring member must first reverse the position out of the Client Account by registering a client contract for the segregated sub account ("C") using the **TRANSFER SEND** or **REVERSAL** Trade Category in LMEsmart. The metal position swap transaction can then be registered.

93   When a member receives a metal position swap from another member that is destined for a segregated client, the position that is created in the House Account ("H") of the receiving member must be moved to the Client Account at LCH.Clearnet.

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This is achieved by registering a client contract for the segregated sub account ("C") using the **TRANSFER RECEIVE** or **EXCEPTION** Trade Category in LMEsmart.

94   A situation is possible where the metal swap arrangement is between a customer of a member and an Associate Trade Clearing Member (Category 3) who is also a commercial trade user of the same metal. In this scenario, the metal swap arrangement will be subject to the same Rules as above except that the Associate Trade Clearing Member will not itself have a customer.

Single Member Metal Position Swaps

95   A metal position swap transacted by a single LME member involves the novation of an existing LME position from one commercial trade user to another commercial trade user. The following procedures apply to such transactions:

a)   Before a customer can swap his position to another customer, he must have one or more LME registered client contracts recorded as such in LMEsmart and in the member's trading and financial records. In addition, the relevant LME registered client contracts must have been entered into LMEsmart no later than the business day before the novation takes place.

b)   The member must record the novation between his customers.   It is recommended that a modified version of the 4-way Metal Swap Agreement be used.

c)   The client contract being novated must be reversed in LMEsmart using the **OTC TAKE OFF** or **REVERSAL** Trade Category. The swap must then be registered for the receiving customer using the **OTC BRING ON** or **EXCEPTION** Trade Category.

d)   Any price adjustment should be reflected by the registration of the client contract using the **EXCEPTION** Trade Category. The member must maintain a sufficient audit trail to explain the transaction and any price adjustment made.

e)   Associate Trade Clearing Members may not conduct single member metal position swaps.

f)   The trade date entered into LMEsmart is the date the metal position swap is agreed and processed by all parties.

TRADE CATEGORIES - REVERSAL AND CORRECTION

96   The **REVERSAL** Trade Category in LMEsmart is used to reverse out matched Exchange contracts and client contracts.

97   The **CORRECTION** Trade Category in LMEsmart is used to submit corrected Exchange trade halves and client contracts.

98   LME client contracts may be cancelled and resubmitted to LMEsmart on the day of trade but errors identified thereafter must be corrected using **REVERSAL** and **CORRECTION** entries.

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99   Trades that have been matched or registered in LMEsmart and contain an error in one or more of the fields that affect the delivery conditions of the contract will require a **REVERSAL** and **CORRECTION** trade to be submitted.   The following fields are eligible for correction:

- price

- metal

- prompt date

- volume

- currency

- LCH sub account ("N" or "C")

- direction of LCH sub account

- contract type

- client ID (optional)

100   Errors made in the client ID field may be corrected at the discretion of the member unless the corresponding LCH sub account ("N" or "C") has been incorrectly recorded in which case a reversal/correction is required. Members may use the correction mechanism to amend the client sub account at LCH.Clearnet where a customer account is reclassified from "N" Non Segregated or "C" Segregated or vice versa.

101   Trades that have been matched in LMEsmart as timed trades (HH:MM) instead of ring trades (R* and K* time codes) or vice versa, require a **REVERSAL** entry and a new trade to be submitted using the **NORMAL** Trade Category so that the price discovery on the ring is accurately recorded. This requirement does not apply to errors in the trade time field of basis ring trades or if the error in the trade time field of the ring trade is identified on trade date plus two and beyond; trades entered into LMEsmart on trade date plus two and beyond using the **NORMAL** Trade Category will be rejected by LMEsmart.

102   Trades that have matched or registered with incorrect details specific to a member's internal trading records, such as commission, do not require correction. Errors within the Trade Category, trade date, and trade time fields (HH:MM) of matched and registered trades do not require correction with the exception of 101 above.   In the event that such errors are detected, members should maintain appropriate internal records to explain any action taken.

103   Members must register a **REVERSAL** entry for the incorrect trade using the original trade date and time. The "Current" or "Average" price type must be used for **REVERSAL** entries processed on the day of trade (TD) or on trade date plus one (TD+1). The "Historic" price type must be used for **REVERSAL** entries where the price is two or more business days old.

104   Members must register a **CORRECTION** entry using the original trade date and time. The "Current" or "Average" price type must be used for **CORRECTION** entries processed on the day of trade (TD) or on trade date plus one (TD+1). The

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"Historic" price type must be used for **CORRECTION** entries where the price is two or more business days old.

105   In the scenario where a trade has been duplicated, members may register a stand alone **REVERSAL** for one entry using the original trade date and time.

106   Matched or registered trades should be reversed and corrected, if required, as soon as practicable after the error is detected.

107   Corrections to trades executed on LMEselect are not permitted. "Select" is not a valid entry in the venue field in LMEsmart for the **REVERSAL** and **CORRECTION** Trade Categories.

108   Corrections to trades brought On-Exchange must have the venue field identified as "Telephone" in LMEsmart. "OTC" is not a valid entry in the venue field for the **REVERSAL** and **CORRECTION** Trade Categories.

109   Members are required to maintain a complete audit trail of these transactions.

110   Examples of specific usage of the correction mechanism include the following:

a)   A correction is required to a client contract that was incorrectly registered using a prompt date that is now past prompt. In this instance members may register a stand alone **CORRECTION** entry in LMEsmart if the amendment applies to the prompt date only and the trade is for a non-segregated customer.

b)   A correction is required to amend the volume of a matched Exchange contract or a registered client contract. In this instance the entire original incorrect trade must be reversed and the correct volume recorded. A partial **REVERSAL** entry for excess volume is not permitted. Similarly additional volume may not be recorded using a stand alone **CORRECTION** entry.

c)   A correction is required to amend one or more legs of a carry trade. If all legs of a carry trade are "live" i.e. no legs are past prompt, the LME recommends that the entire original carry trade be reversed out and re-entered as a new carry trade using the **REVERSAL** and **CORRECTION** Trade Categories. Carry trades are submitted to LMEsmart as a package; all the legs of a carry include a "carry" identifier" and are allotted the same match number. Reversing the entire carry to correct one or more legs ensures that the carry trade remains as a package with a shared match number. If a member chooses to correct the single leg(s) containing the error, the **REVERSAL** and **CORRECTION** entries in LMEsmart will be recorded as Futures Outright trades rather than Futures Carry trades and allotted unique (to the day) match sequence numbers. Members are advised to keep an adequate audit trail to demonstrate how the single corrected leg(s) relates to the original carry trade. If one or more legs of a carry trade have expired, only the remaining "live" legs are eligible for correction. The corrected trade cannot be recorded as a carry but as a series of single Futures Outright trades.

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d) Exchange contracts used to signify the movement of customer trades between LME clearing members may only be booked into or out of members House Accounts at LCH.Clearnet. If a position is held in the member's segregated Client Account at LCH.Clearnet, a client contract must be registered to signify the movement of the position between the House and Client Account prior to transferring/clearing a position with another member. Members moving a position out of the Client Account at LCH.Clearnet must first reverse the position by registering a client contract for the segregated sub account ("C"). This can be achieved using the **REVERSAL, TRANSFER SEND, TRANSFER RECEIVE or MEMBER CLEARING** Trade Category in LMEsmart as appropriate. This will move the position from the member's segregated sub account ("C") to the Member's House Account ("H"). The position may then be transferred or cleared with another member using the appropriate Trade Category in LMEsmart.

e) In the event that members agree to reverse out an (eligible) error trade executed on LMEselect, in accordance with LME Notice 08/047 : A045 : R007 New LMEselect Error Trade Policy, the LMEselect trade must be reversed using the **REVERSAL** Trade Category with the Price Type identified as "Current" and the venue identified as "Telephone". Reversal trades cannot have "Select" as the venue in LMEsmart.

f) In the event that members are required to adjust a trade executed in LMEselect as a result of Lending Guidance, members must follow the procedure set out in LME Notice 05/377 : A370 R016 Lending Guidance for LME Metals. The LMEselect trade must be reversed using the **REVERSAL** Trade Category and the new adjusted trade entered using the **NORMAL** Trade Category. For both the **REVERSAL** and **NORMAL** entries, the price type must be identified as "Current" and the venue as "Telephone". Reversal trades cannot have "Select" as the venue in LMEsmart.

111 Members are required to maintain a complete audit trail of all **REVERSAL** and **CORRECTION** entries in LMEsmart.

112 The table below shows the valid combinations of trade entry fields for the **REVERSAL** and **CORRECTION** Trade Categories in LMEsmart.

Trade Category	Price Type	Venue	4-Way Agreement	Time Format	Exchange Contract	Client Contract
REVERSAL	CURRENT	TELEPHONE	NO	HH:MM	Yes	Yes
REVERSAL	CURRENT	RING	NO	R* or K*	Yes	No
REVERSAL	CURRENT	BASIS RING	NO	C* or D*	Yes	Yes
REVERSAL	AVERAGE	TELEPHONE	NO	HH:MM	Yes	Yes
REVERSAL	AVERAGE	RING	NO	R* or K*	Yes	No
REVERSAL	AVERAGE	BASIS RING	NO	C* or D*	Yes	Yes
REVERSAL	HISTORIC	TELEPHONE	NO	HH:MM	Yes	Yes

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REVERSAL	HISTORIC	RING	NO	R* or K*	Yes	No
REVERSAL	HISTORIC	BASIS RING	NO	C* or D*	Yes	Yes
CORRECTION	CURRENT	TELEPHONE	NO	HH:MM	Yes	Yes
CORRECTION	CURRENT	RING	NO	R* or K*	Yes	No
CORRECTION	CURRENT	BASIS RING	NO	C* or D*	Yes	Yes
CORRECTION	AVERAGE	TELEPHONE	NO	HH:MM	Yes	Yes
CORRECTION	AVERAGE	RING	NO	R* or K*	Yes	No
CORRECTION	AVERAGE	BASIS RING	NO	C* or D*	Yes	Yes
CORRECTION	HISTORIC	TELEPHONE	NO	HH:MM	Yes	Yes
CORRECTION	HISTORIC	RING	NO	R* or K*	Yes	No
CORRECTION	HISTORIC	BASIS RING	NO	C* or D*	Yes	Yes

Currency Conversions

113   A currency conversion is a transaction in which an <u>existing</u> LME client position is converted from one LME accepted currency to another LME accepted currency. Currency conversions can only be applied to client contracts.

114   In order to register a currency conversion the following procedure must be followed:

a)   The original client contract must be reversed in LMEsmart using the **REVERSAL** Trade Category with the price type set to "Historic" and the venue set to "Telephone".

b)   The newly converted trade must be entered in LMEsmart using the **CORRECTION** Trade Category with the price type set to "Historic" and the venue set to "Telephone".

c)   The trade date entered into LMEsmart is the date when the client contract is converted for both the **REVERSAL** and **CORRECTION** entries.

d)   Sufficient documentation must be maintained to explain the transaction. This must include the original details of the trade including the date and time of the transaction and the details of the FX rate used for the conversion.

e)   A currency conversion should always comprise at least two entries in LMEsmart. In the event that prompt date/currency processing restrictions apply, members may not register either leg of the transaction.

f)   The only trade details that should be altered for currency conversion trades are the currency and the price. If the client requires other fields to be

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amended at the same time as the conversion (such as the prompt date due to a banking holiday in one of the currencies), then the **REVERSAL** and **CORRECTION** entries must be registered in accordance with 96-109 above.

TRADE CATEGORY - HISTORIC PRICE CARRY

115   The **HISTORIC PRICE CARRY** Trade Category is used to roll or carry forward an <u>existing</u> LME client contract to a valid LME prompt date on the basis of the original contract price within the same LME member.

116   When agreeing to execute a Historic Price Carry transaction, HPC, members must ensure that they have complied with the Rules for these transactions set out in LME Notice 99 / 484 : A472 : RO34.

117   When registering an HPC in LMEsmart members must enter it as a carry trade comprising at least two legs using the **HISTORIC PRICE CARRY** Trade Category with the appropriate price type, generally "Historic", and the venue set to "Telephone".

118   HPCs cannot be registered without a "nearby" leg in cases where the prompt date/currency restrictions within LMEsmart are activated, or without a "forward" leg, in circumstances where the forward date is an invalid LME prompt date, as these do not comply with the rules governing HPC transactions.

119   The table below shows the valid combinations of trade entry fields for the **HISTORIC PRICE CARRY** Trade Category in LMEsmart.

Trade Category	Price Type	Venue	4-Way Agreement	Time Format	Exchange Contract	Client Contract
HISTORIC PRICE CARRY	CURRENT	TELEPHONE	NO	HH:MM	No (HPC)	Yes
HISTORIC PRICE CARRY	AVERAGE	TELEPHONE	NO	HH:MM	No (HPC)	Yes
HISTORIC PRICE CARRY	HISTORIC	TELEPHONE	NO	HH:MM	No (HPC)	Yes

TRADE CATEGORY - OPTION EXPIRY FUTURE

120   The **OPTION EXPIRY FUTURE** Trade Category is used to register the futures position resulting from the declaration of an LME Traded Option or TAPO.

121   The **OPTION EXPIRY FUTURE** Trade Category may be used in conjunction with the appropriate price type and with the venue set to "Telephone".

122   This Trade Category applies to both Exchange and client contracts and is used in the following circumstances:

a)   The registration of a Futures Contract for a non-segregated client resulting from the declaration of an LME Traded Option or TAPO.

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b)   Late declaration of an Exchange Traded Option (after 11:15 on the first Wednesday), with the consent of the counterparty member, LCH.Clearnet and LME Member Surveillance (membersurveillance@lme.com).

c)   Late declaration of a Client Traded Option (after 11:15 on the first Wednesday), with the consent of LCH.Clearnet and LME Member Surveillance (membersurveillance@lme.com).

123   Futures positions resulting from the declaration of an LME Traded Option or TAPO for an Exchange contract or segregated client contract are created automatically in a member's House and Client Account (if applicable) at LCH.Clearnet. Under normal circumstances, only Futures positions resulting from the declaration of an LME Traded Option or TAPO for non-segregated customers require registration in LMEsmart.

124   The declaration of a TAPO for a non-segregated client requires the registration of two client contracts in LMEsmart as required by rule 10.1 of part 5B of the LME Rule Book; members must enter the original strike price of the TAPO as well as the monthly moving average price for the TAPO using the **OPTION EXPIRY FUTURE** Trade Category.

125   The declaration of an OTC option which results in an LME Traded Option, an LME TAPO, or an LME Futures trade is covered in paragraph 51(c).

126   The trade date registered in LMEsmart for an **OPTION EXPIRY FUTURE** is the date of declaration of the LME Traded Option or TAPO. Members must keep sufficient documentation to show details of the LME Traded Option or TAPO including the date and time when it was written.

127   The table below shows the valid combinations of trade entry fields for the **OPTION EXPIRY FUTURE** Trade Category in LMEsmart.

Trade Category	Price Type	Venue	4-Way Agreement	Time Format	Exchange Contract	Client Contract
OPTION EXPIRY FUTURE	CURRENT	TELEPHONE	NO	HH:MM	Yes	Yes (Future resulting from LME Option)
OPTION EXPIRY FUTURE	AVERAGE	TELEPHONE	NO	HH:MM	Yes	Yes (Future resulting from TAPO)
OPTION EXPIRY FUTURE	HISTORIC	TELEPHONE	NO	HH:MM	Yes	Yes (Future resulting from LME Option)

TRADE CATEGORY - EXCEPTION

128   The **EXCEPTION** Trade Category is used to enter trades into LMEsmart in exceptional circumstances and in instances where no other Trade Category is appropriate.

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129   Members must notify the LME Member Surveillance Department by e-mail (membersurveillance@lme.com) before processing these transactions in LMEsmart in order to avoid an issue being raised in the month end trade monitoring queries. The exception to this requirement is where this Trade Category is used to register a client contract for the segregated sub account ("C") following receipt of a position from another member. As such, these **EXCEPTION** entries will form part of a member's normal pattern of registrations and will not be queried as part of the Member Surveillance Daily Trade Monitoring Programme, e.g. scenario 131(a) below.

130   Members must maintain a sufficient audit trail of all trades matched using the **EXCEPTION** Trade Category in order to explain why trades were processed using this Trade Category.

131   Specific uses of the **EXCEPTION** Trade Category include:

a)   When a member receives a position from another member, utilising the **TRANSFER RECEIVE** or **MEMBER CLEARING** Trade Categories, that is destined for a segregated client, the position that is created in the House Account ("H") of the receiving member must be moved to the Client Account at LCH.Clearnet. This can be achieved by registering a client contract for the segregated sub account ("C") using the **EXCEPTION** Trade Category in LMEsmart.

b)   When an OTC Option is declared and the resulting Futures position does not have a third Wednesday prompt date, then the Futures Contract must be processed in LMEsmart using the **EXCEPTION** Trade Category.

c)   If for any reason a **NORMAL** trade is not matched or registered in LMEsmart on (TD) or (TD+1), then the trade will have to be entered using the **EXCEPTION** Trade Category.

d)   A single member metal position swap, see paragraph 95 above.

132   The table below shows valid combinations of trade entry fields for the **EXCEPTION** Trade Category in LMEsmart.

Trade Category	Price Type	Venue	4-Way Agreement	Time Format	Exchange Contract	Client Contract
EXCEPTION	CURRENT	TELEPHONE	NO	HH:MM	Yes	Yes
EXCEPTION	CURRENT	RING	NO	R* or K*	Yes	No
EXCEPTION	CURRENT	BASIS RING	NO	C* or D*	Yes	Yes
EXCEPTION	CURRENT	OTC	NO	HH:MM	Yes	Yes
EXCEPTION	AVERAGE	TELEPHONE	NO	HH:MM	Yes	Yes
EXCEPTION	AVERAGE	RING	NO	R* or K*	Yes	No
EXCEPTION	AVERAGE	BASIS RING	NO	C* or D*	Yes	Yes

EXCEPTION	AVERAGE	OTC	NO	HH:MM	Yes	Yes
EXCEPTION	HISTORIC	TELEPHONE	NO	HH:MM	Yes	Yes
EXCEPTION	HISTORIC	RING	NO	R* or K*	Yes	No
EXCEPTION	HISTORIC	BASIS RING	NO	C* or D*	Yes	Yes
EXCEPTION	HISTORIC	OTC	NO	HH:MM	Yes	Yes

TRADE CATEGORY - FINANCING

133   The **FINANCING** trade category in LMEsmart is used to enter trades relating to financing transactions between LME members and between LME members and their clearing customers where prices are deemed to be outside the day's trading range and cannot be entered using the **NORMAL** trade category.

134   The **FINANCING** trade category is also used to record transactions between members and their non clearing customers. In this instance, both the member to member trade and the customer trade can be recorded using the **FINANCING** trade category.

135   In order to register a financing transaction in LMEsmart, members are required to use the **FINANCING** Trade Category with the price type set to "Current", "Average" or "Historic" as appropriate and with the venue set to "OTC".

136   The financing member may choose to put in place a three-way agreement to cover such arrangements with the common customer and the LME clearer but this is not a requirement under LME rules.

137   In order to record a **FINANCING** contract, the following conditions apply :

a)   The financing member must accurately record the trade date and execution time of the transaction in his own records and in LMEsmart.

b)   The clearing member should match the trade using the same trade date as that being alleged by the executor. The time of trade for the clearer will be the time the trade is entered into LMEsmart. The clearer should keep an adequate audit trail to demonstrate the timely processing of his customer's instructions. The trade date and time for the customer trade as registered by the LME clearer is the same trade date and time as the member to member trade.

c)   The "Current" or "Average" price type must be used for **FINANCING** entries processed on the day of trade (TD) or on trade date plus one (TD+1). The "Historic" price type must be used for **FINANCING** entries where the price is two or more business days old.

d)   Members must maintain a full audit trail for each **FINANCING** transaction and in the case of the LME clearer, the customer instruction to register the trade.

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e)   The **FINANCING** Trade Category may not be used to avoid or evade other LME trade entry rules i.e. the circumstances surrounding the registration of these trades must justify the use of the **FINANCING** trade category. The LME reserves the right to request details of the physical trade from the financing member in order to demonstrate the use of this trade category.

138   The table below shows valid combinations of trade entry fields for the **FINANCING** Trade Category in LMEsmart.

Trade Category	Price Type	Venue	4-Way Agreement	Time Format	Exchange Contract	Client Contract
FINANCING	CURRENT	OTC	NO	HH:MM	Yes	Yes
FINANCING	AVERAGE	OTC	NO	HH:MM	Yes	Yes
FINANCING	HISTORIC	OTC	NO	HH:MM	Yes	Yes

SHORT PRICE CODES

1   The use of the "S", "C" and "B" short codes has been compulsory for LME clearing members since 29 September 2008. The short price codes used to enter trades into LMEsmart are set out in this section of the notice. Short price codes are a matching field.

2   LMEsmart will substitute price codes with the associated absolute values for matched trades not trade halves. Members are advised to use absolute prices instead of short price codes as soon as the relevant prices are available; a trade half with a price code will NOT match with a trade half containing the substituted absolute value for that price code.

3   Unmatched trade halves that contain price codes will be recycled with absolute values the following business day if members have opted for that functionality to be switched on in LMEsmart. Members who have chosen to have the recycled trades function set to 'off' in LMEsmart may re-enter unmatched trade halves the following day but with absolute prices. Price codes can only be used for trades executed on the current business day and NOT for past trade dates.

Settlement Price ("S") Code

4   Since 29 September 2008, it has been compulsory for clearing members that enter into Exchange Futures Contracts where the prices are based on that day's Settlement Prices to use the "S" short code in the price field when matching the trades irrespective of whether the trades are outrights or carries. Members may use "S" +/- an agreed premium or discount to the Settlement Price in the price field. LMEsmart will substitute the Settlement Price for the "S" code plus or minus any premium or discount.

5   For carries, the "S" short code can only be used to enter the price for the Cash Prompt Date leg; for other legs of the carry, the amount entered is the relevant +/- (contango or backwardation) to the Settlement Price. LMEsmart will substitute the Official Settlement Price for the "S" code and calculate the absolute values for all legs containing a price differential.

Closing Price ("C") Code

6   Since 29 September 2008, it has been compulsory for clearing members that enter into Exchange contracts where the prices are based on that day's Closing Prices to use the "C" and "B" short price codes in the price field when matching these contracts.

7   For an outright trade, the "C" short code is used where the price is based on that day's Closing Price for the relevant prompt date and commodity. Members may use "C" +/- an agreed premium or discount to the Closing Price for the relevant Prompt Date.

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8   For a carry trade, the "C'" short code is used for each leg of a carry where the price for each leg is based on the relevant Closing Price for the Prompt Date of that leg. Members may use "C" +/- an agreed premium or discount to the Closing Price for the relevant Prompt Date. LMEsmart will substitute the Closing Price at the end of the day for the "C" code for the relevant Prompt Date and calculate the absolute values for all legs containing a price differential.

Basis the Closing Price ("B") Code

9   Since 29 September 2008, it has been compulsory for clearing members to use the "B" short code for a carry where the pricing basis for only one of the legs is the relevant Closing Price and the other legs are priced as a differential to the pricing leg.

10   The "B" code can only be used for the pricing leg of the carry and not for any of the other legs of the carry. The relevant contango or backwardation (+/-) should be the only input into the price field for other legs of the carry.

11   Members may use "'B" +/- an agreed premium or discount to the Closing Price for the relevant Prompt Date. If this is done, the pricing basis for each of the other legs will be the Closing Price of the pricing leg after adjustment for the premium or discount. LMEsmart will substitute the Closing Price at the end of the day for the "B" code and calculate the absolute values for all legs containing a price differential.

Yesterday's Settlement Price and Valuation Prices

12   In addition to the price codes "S", "C", and "B", LMEsmart will accept the price codes "YS" for yesterday's Settlement Price and "V" for Valuation (previous night's Closing Price). Use of these price codes is not compulsory in LMEsmart.

13   As "YS" and "V" are the Official Settlement and Closing Prices for the previous business day, these prices are known to LMEsmart. These price codes will be substituted with absolute values upon acceptance into LMEsmart. The "YS" and "V" price codes are not a matching field. The trade time entered into LMEsmart for the "YS" and "V" price codes should be the actual time the trade is agreed.

Trade Times When Using Short Price Codes

14   The price codes "S", "B", and "C" allow trades to be matched without the need for members to wait for the Official Settlement and Closing Prices to be published. LMEsmart substitutes the short codes with the relevant absolute prices once they have been published. Prior to the introduction of short codes, members were advised to enter the time at which the relevant price was published as the trade time. That is no longer applicable and members should use the actual trade time as explained below:

15   **"S" short code**

a)   Trades agreed outside a ring or kerb session or behind the ring using the "S" price code must be input into LMEsmart with the absolute time the trade was agreed as the trade time.

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b) Trades using the "S" price code agreed during a ring or kerb session must be input into LMEsmart using the appropriate time codes, e.g. a trade agreed during Ring 1 which uses the "S" price code must be input with an R1 or C1 time code depending on the counterparty.

16 **"B" or "C" short code**

a) Trades agreed outside a ring or kerb session or behind the ring using the "B" or "C" price codes must be input into LMEsmart with the absolute time the trade was agreed as the trade time.

b) Trades using the "B" or "C" price codes agreed during a ring or kerb session when the relevant metal is trading, must be input into LMEsmart using the corresponding time code e.g. a copper closing price trade agreed during kerb 8 should be processed with a K8 or D8 time code depending on the counterparty but an aluminium closing price trade agreed during the second copper ring must be processed using the absolute time the trade was agreed.

MATCHING DEADLINES FOR TRADE TIMES AND TIME CODES IN LMEsmart

General

1   This Section contains details of the matching deadlines for trade times and time codes entered into LMEsmart.

2   For all trades entered into LMEsmart, the following should be noted:

a)   All trade times entered into LMEsmart must be UK time.

b)   Trades executed in other time zones must be converted into UK time and equivalent date before being entered into LMEsmart.

c)   Execution times must be recorded on source documentation.

d)   An LME contract, Exchange or Client, cannot be written for a <u>Trade Date</u> when the London Metal Exchange is closed. Trades executed on non LME Business Days are considered to be OTC contracts. These contracts can be brought on Exchange by subsequent registration in LMEsmart using the Trade Category **OTC BRING ON**.

- LME rules define a "Business Day" as "any day except Saturday, Sunday or any public or bank holiday in England or a day during which trade on the Exchange has been suspended by or under the authority of any enactment or a day which the Directors declare not to be a Business Day."

- Trades entered into LMEsmart with a trade date that is not an LME "Business Day" will be rejected by the system.

Matching Deadlines for Timed Trades

3   Timed trades are defined as:

a)   Exchange contracts executed by Category 1 members outside the ring and kerb sessions at current market or average current market prices. Trades conducted behind the ring or basis the mean of the closing prices of a ring must be matched as timed trades.

b)   All Exchange contracts executed by Category 2 and 3 members, other than those executed with Category 1 members basis a ring or kerb session at current market or average current market prices.

c)   All client contracts executed by Category 1,2, and 4 members other than client orders executed by Category 1 members basis ring and kerb prices.

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d)   Timed trades are entered into LMEsmart using the **NORMAL** Trade Category with the price type set to "Current" or "Average" and the venue set to "Telephone".

4   The execution time of all timed trades must be recorded on source documentation and entered into LMEsmart as the UK time of trade in the format HH:MM. Trades in other time zones must be converted to UK time and the equivalent date before being entered into LMEsmart. Unlike time code trades, the trade time field for timed trades is not a matching field in LMEsmart

5   Timed trades must be entered and matched in LMEsmart within the matching deadlines set out in Table 1 below:

Table 1

Time of Trade	Matching Deadline
19:30:01 - 24:00 (prior business day)	08:30
00:00:01- 08:00	08:30
08:00:01 – 19:30	30 minutes after the time of trade

6   All client contracts must be registered in LMEsmart within the deadlines set out in Table 2 below:

Table 2

Time of Trade	Registration Deadline
00:00:01 – 19:30	By 20:00 on the current business day
19:30:01 – 24:00	By 09:00 the following business day

Trading and Matching Deadlines for Cash Today ('TOM') Trades

7   "TOM" trades are Exchange and client contracts that are prompt the following business day. All "TOM" trades must be executed by 12:30 (last acceptable trade time in LMEsmart is 12:29) and matched or registered in LMEsmart by 13:30. Members can request an extension beyond 13:30 by contacting LME Matching Operations (Tel +44 (0)20 7488 2500; email lmematching@lme.com) but must seek permission by 13:15. Extensions are normally granted for 15 minute periods.

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Trading and Matching Deadlines for Traded Options and TAPOs

8   The trading deadline for Traded Options and TAPOs on the Last Trading Day (as defined in Part 1 of the LME Rule Book, Definitions and General Rules) is 18:00 on LMEselect and in the telephone market. Options traded in the telephone market must be matched in LMEsmart by 18:15; options traded on LMEselect are matched automatically.

Matching Deadlines for Time Code Trades

9   Trades between Category 1 members executed in the rings and kerbs are entered into LMEsmart using the **NORMAL** Trade Category with the price type set to "Current" or "Average" and the venue set to "Ring".

10   Trades between Category 1 members executed in rings 1-4 must be matched using the time code R1, R2, R3, or R4 as appropriate.

11   Trades between Category 1 members executed in kerbs 1-9 must be matched using the time code K1, K2, K3, K4, K5, K6, K7, K8 or K9 as appropriate.

12   Appendix B shows the times of each ring or kerb, the R* and K* time code applying to each, and the corresponding matching deadline. Trades between Category 1 members conducted in rings 1-4 and kerbs 1-6 at current market or average current market prices must be input and matched in LMEsmart within 30 minutes of the end of the relevant ring or kerb. Trades executed in kerbs 7-9 must be matched in LMEsmart by 17:45.

13   In all cases the R* and K* time code is a matching field in LMEsmart.

14   Trades between Category 1 members and their customers, which includes other LME members and external customers, that are executed basis prices traded in the rings and kerbs must be entered into LMEsmart using the **NORMAL** Trade Category with the price type set to "Current" or "Average" and the venue set to "Basis Ring", e.g. a Category 1 office team executing basis ring trades with the floor team of another Category 1 member must enter the trades in LME smart using the corresponding C* and D* time codes. In this instance, the Category 1 office team acts as a customer to the Category 1 member.

15   Trades executed by Category 1 members for their Category 1, 2, 3, and 4 customers that are basis prices traded in rings 1-4 must be matched using the time codes C1, C2, C3 or C4 as appropriate. Trades executed by Category 1 members for their Category 1, 2, 3, and 4 customers that are basis prices traded in kerbs 1-9 must be matched using time codes D1, D2, D3, D4, D5, D6, D7, D8 or D9 as appropriate.

16   Trades executed by Category 1 members for their external customers that are basis prices trades in rings 1-4 must be registered using the time codes C1, C2, C3, and C4 as appropriate. Trades executed by Category 1 members for their external customers that are basis prices traded in kerbs 1-9 must be registered using time codes D1, D2, D3, D4, D5, D6, D7, D8 or D9 as appropriate.

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17   Appendix B shows the times of each ring or kerb, the C* and D* time code applying to each, and the corresponding matching deadline. Trades between Category 1 members and their Category 1, 2, 3, and 4 customers that are basis prices traded in rings 1-4 and kerbs 1-6 at current market or average current market prices must be input and matched in LMEsmart within 30 minutes of the end of the relevant ring or kerb. Trades executed basis prices traded in kerbs 7-9 must be input and matched in LMEsmart by 17:45.

18   In all cases the C* and D* time code is a matching field in LMEsmart.

19   Trades executed by Category 1 members for their external customers that are basis prices traded in the rings and kerbs must be registered in LMEsmart according to the deadlines set out in Table 2 above.

20   Use of the R*, K*, C*, and D* time codes is restricted to trades entered into LMEsmart using the Trade Categories **NORMAL**, **REVERSAL**, **CORRECTION** and **EXCEPTION**.

METAL POSITION SWAP TRANSACTION

BROKER A	BROKER B
[INSERT NAME]	[INSERT NAME]
CUSTOMER A	CUSTOMER B
[INSERT NAME]	[INSERT NAME]
REFERENCE	REFERENCE
[BROKER A]	[BROKER B]

TRADE DETAILS

METAL	LOTS
PROMPT	PRICE PER TONNE

STATEMENT

I confirm that [Customer A] is a direct customer of ours, is a commercial user of the metal concerned and has given us written instructions regarding the above metal position swap transaction. I confirm that we have no reason to doubt that the transaction above is not in breach of LME Rules and Regulations or other appropriate legal obligations.

BROKER A	CUSTOMER A
[Name]	[Name]
[Signature of authorised Representative]	[Signature of authorised representative]

STATEMENT

I confirm that [Customer B] is a direct customer of ours, is a commercial trade user of the metal concerned and has given us written instructions regarding the above metal position swap transaction. I confirm that we have no reason to doubt that the transaction above is not in breach of LME Rules and Regulations or other appropriate legal obligations.

BROKER B	CUSTOMER B
[Name]	[Name]
[Signature of authorised representative]	[Signature of authorised representative]

MATCHING DEADLINES FOR MEMBER TO MEMBER TRADES

Ring 1		R1 Matching Deadline	Basis Trades C1 Matching Deadline
11:40-11:45	Steel	12:15	12:15
11:45-11:50	Aluminium Alloy/NASAAC	12:20	12:20
11:50-11:55	Tin	12:25	12:25
11:55-12:00	Primary Aluminium	12:30	12:30
12:00-12:05	Copper	12:35	12:35
12:05-12:10	Lead	12:40	12:40
12:10-12:15	Zinc	12:45	12:45
12:15-12:20	Nickel	12:50	12:50
12:20-12:25	Cobalt/Molybdenum	12:55	12:55
12:25-12:30	Interval		

Ring 2		R2 Matching Deadline	Basis Trades C2 Matching Deadline
12:30-12:35	Copper	13:05	13:05
12:35-12:40	Aluminium Alloy/NASAAC	13:10	13:10
12:40-12:45	Tin	13:15	13:15
12:45-12:50	Lead	13:20	13:20
12:50-12:55	Zinc	13:25	13:25
12:55-13:00	Primary Aluminium	13:30	13:30
13:00-13:05	Nickel	13:35	13:35
13:05-13:10	Steel	13:40	13:40
13:10-13:20	Interval		

Kerbs (1-6)	Trades With RDMs	Kerb Matching Deadline	Trades With Non-RDMs	Basis Trades Kerb Matching Deadline
13:20-13:30	K1	14:00	D1	14:00
13:30-13:45	K2	14:15	D2	14:15
13:45-14:00	K3	14:30	D3	14:30
14:00-14:15	K4	14:45	D4	14:45
14:15-14:30	K5	15:00	D5	15:00
14:30-14:45	K6	15:15	D6	15:15
14:45-14:55	Interval			

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Ring 3		R3 Matching Deadline	Basis Trades C3 Matching Deadline
14.55-15.00	Aluminium Alloy/NASAAC	15:30	15:30
15:00-15:05	Lead	15:35	15:35
15:05-15:10	Zinc	15:40	15:40
15:10-15:15	Copper Grade A	15:45	15:45
15:15-15:20	Primary Aluminium	15:50	15:50
15:20-15:25	Tin	16:55	15:55
15:25-15:30	Nickel	16:00	16:00
15:30-15:35	Steel	16:05	16:05
15:35-15:40	Interval		

Ring 4		R4 Matching Deadline	Basis Trades C4 Matching Deadline
15:40-15:45	Lead	16:15	16:15
15:45-15:50	Zinc	16:20	16:20
15:50-15:55	Copper	16:25	16:25
15:55-16:00	Primary Aluminium	16:30	16:30
16:00-16:05	Tin	16:35	16:35
16:05-16:10	Nickel	16:40	16:40
16:10-16:15	Aluminium Alloy/NASAAC	16:45	16:45

Kerbs (7-9)	Trades with RDMs	Kerb Matching Deadline	Trades with Non-RDMs	Basis Trades Kerb Matching Deadline
16:15-16:30	K7	17:45	D7	17:45
16:30-16:45	K8	17:45	D8	17:45
16:45-17:00	K9	17:45	D9	17:45

16:35 Tin closes / 16:40   Lead and Steel close

16:45 Nickel and Cobalt close / 16:50 Zinc closes

16:55 Copper and Molybdenum close

17:00 Primary Aluminium, Aluminium Alloy and NASAAC close

LONDON METAL EXCHANGE

--------From the Deputy Chief Executive

To: ALL MEMBERS

Ref: 11/293 : A286: R008

Date: 5 October 2011

Subject: **EXPLANATION OF METAL LENDING GUIDANCE**

Summary

1   The schedule to this notice replaces the schedule to LME notice 10/170, dated 6 May 2010, as an explanation of the Lending Guidance for LME metals contracts.

Background

2   Market Aberrations: The Way Forward was published by the Exchange in October 1998 as an attachment to LME notice 98/363. Paragraph 13.24 of the Market Aberrations document sets out the Lending Guidance that applies to the holders of dominant long positions in the LME metals markets.

3   LME notice 05/377 formalised the rules and procedures relating to the operation of the Lending Guidance. Although referred to as guidance, compliance with the Lending Guidance is an LME rule.

4   Schedule 1 to notice 05/377 set out a clarification and explanation of a number of practical aspects of the Lending Guidance. The terms of the Lending Guidance are clear in their intent and in the behaviour expected of a dominant position holder. However, the Board recognised that trading on the LME markets requires a certain level of expertise and that it would be useful for participants in the markets if the Exchange set out a clarification and explanation of a number of practical aspects of the Lending Guidance. That clarification and explanation of the Lending Guidance was replaced by the schedule to LME notice 10/170, which has in turn been replaced by the schedule to this notice.

5   LME notice 08/034, dated 31 January 2008, suspended the five–day rule under the Lending Guidance. That suspension remains in place and the current explanation of the Lending Guidance still reflects that. The main changes to the May 2010 text of the schedule are a clarification that:-

(a)   a WTC position as at the close of business on one day will become a WT position the following business day; and

(b)   any increase in a Tom position during a Tom trading day that brings the combined warrant, same-day warrant delivery and Tom position above

THE LONDON METAL EXCHANGE LIMITED | 56 Leadenhall Street, London EC3A 2DX   **LME.COM**

Tel +44 (0)20 7264 5555 | **Fax** +44 (0)20 7680 0505 | **Email** info@lme.com

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50% of live warrants will be a dominant position for the purposes of the Lending Guidance.

Origin of the Lending Guidance

6   The market aberrations document dealt with a number of issues relating to the LME metal markets and their regulation.   The document was the result of a consultation process that started in October 1997 and included the Solutions to Market Aberrations consultation document (attached to LME notice 98/007) published in March 1998.   The full Market Aberrations document is available on the LME website www.lme.com in a printable format.

7   The Solutions to Market Aberrations consultation document proposed a number of mechanisms for dealing with dominant positions in the LME markets. The Lending Guidance was formulated by the Board as the solution that best fitted the structure of the LME markets.

8   Prior to the introduction of the Lending Guidance, the Exchange's response to the effect of dominant positions in the markets was to introduce backwardation limits.   However, there were two aspects of this use of backwardation limits that were heavily criticised.   First, the backwardation limits were not specific to dominant position holders and obliged all long position holders to lend their positions for a day at no more than a premium set by the Exchange.   Secondly, the need to announce the imposition of the backwardation limits with immediate effect gave the markets no notice and made the application of backwardation limits unpredictable.

9   The Lending Guidance addresses both of these concerns. It creates an obligation on the holder or holders of a dominant position to lend at the required levels but creates no obligation on the holder of a long position that is not dominant. The Market Aberrations document provides that a dominant position can be created by two or more parties acting together.   The circumstances in which the Lending Guidance takes effect are known in advance which introduces an element of predictability in the event that there is a dominant position in any of the LME markets.

10   It has been argued before the LME Special Committee that the Lending Guidance is in itself the cause of market distortion where warranted stocks are low. In the Committee's view, if there is such distortion, it is minimal and is more than offset by the maintenance of orderly trading for the nearest prompt dates.

Diarmuid O'Hegarty

cc: Board directors
       Special Committee

Schedule

LENDING GUIDANCE

CLARIFICATION AND EXPLANATION

5 OCTOBER 2011

LENDING GUIDANCE

1   Paragraph 13.24 of Market Aberrations: The Way Forward (published by the Exchange in October 1998) sets out the terms of the Lending Guidance as follows:-

[a]   If at any time a member or client holds 50% or more of the warrants and/or cash today/cash positions in relation to stocks, he should be prepared to lend, if asked, at no more than a premium of ½% of the cash price for a day. [*After five successive days, he should be prepared to lend, if asked, at no more than a premium of ¼% of the cash price for a day.*]

[b]   If at any time a member or client holds 80% or more of the warrants and/or cash today/cash positions in relation to stocks, he should be prepared to lend, if asked, at no more than a premium of ¼% of the cash price for a day. [*After five successive days, the maximum premium would fall to 0.15%.*]

[c]   If at any time a member or client holds 90% or more of the warrants and/or cash today/cash positions in relation to stocks, he should be prepared to lend, if asked, at no more than the cash price.

[d]   As with the publication of large position information, in determining the application of the guidelines, it would be appropriate for the LME to aggregate the positions of a client across all brokers in reaching its estimate of dominant positions. Likewise it would be appropriate to aggregate the positions of a member, its related group companies and its clients unless the firm could demonstrate that the positions were independent.

*   Five-day rule suspended: see LME notice 08/034, dated 31 January 2008*

HOW TO CALCULATE A DOMINANT POSITION

2   The basis of a relevant position in any metal for the purposes of the Lending Guidance is the total of a person's warrant holding ("W"), net Tom trading positions ("T", i.e. positions for delivery tomorrow) and net cash trading positions ("C", i.e. positions for delivery in two business days' time). This is

referred to as the net WTC position and is expressed in lots. That net WTC position is divided by the number of live LME warrants for that metal. The result of (W + T + C) ÷ (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 LME warrants were 1,500, the WTC position would be 91.20%.

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

3   The denominator used is live warrants rather than total stock. Total LME stock in each metal is the sum of live warrants and cancelled stock. This means that if a dominant position holder reduces his warrant holding by cancelling warrants, he will also be reducing the denominator used to calculate the size of his dominant position.

4   The resulting percentage forms the basis for calculating the number of lots that a dominant position holder must be prepared to lend. The Lending Guidance treats a WTC position of 50% and above as dominant. This means that a position holder is subject to the Lending Guidance until his 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. 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 his 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.

5   The figures used in calculating a WTC position are those reported by members to the Exchange by 8.30am each business day. The figures relate to the WTC positions as at the close of business on the previous business day. Each member's reports separately identify the W, T and C positions held on behalf of the member and the W, T and C positions held by each of its clients, including any of the member's affiliate companies. This enables the Exchange to aggregate the WTC positions held by a client across two or more members. In respect of a single Prompt Date, a WTC position calculated as at the close of business on the Cash trading day (ie two business days before the Prompt Date) will become a warrant and Tom position on the Tom trading day (ie the business day before that Prompt Date).

6   The Exchange automatically aggregates the WTC positions of companies in the same group. The Exchange will also aggregate the WTC positions of unconnected parties if the LME Compliance Department believes that there is a common purpose. In such cases the Exchange will inform the parties either direct or through the members with whom they trade. LME notice 99/075, dated 26 February 1999, sets out the basis on which the Exchange will aggregate the positions of two or more parties. LME notice 01/122, dated 23 March 2001, sets out the Exchange's approach for attributing and aggregating warrant holdings for the purposes of the Lending Guidance.

7   The net WTC positions are divided by the number of live warrants as at the same point in time, the close of business the previous day. The live warrant figures used are the same as those included in the stock figures published by the Exchange at 9.00am each business day. The relevant stock figures for complying with the Lending Guidance on any Tom trading day are those published that morning.

8   As WTC positions are calculated each morning on the basis of figures as at the close of business on the previous 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 Lending Guidance, the dominant position holder should be prepared "to lend" Tom/next (or one of the Tom date carries). Any increase in a Tom position during a Tom trading day that brings the combined warrant, same-day warrant delivery and Tom position above 50% of live warrants will be a dominant position for the purposes of the Lending Guidance.

HOW A DOMINANT POSITION TRIGGERS THE LENDING GUIDANCE

9   The Lending Guidance operates in three effective bands. The first is where a WTC position is 50% or more but less than 80% of live warrants. The second band is where a WTC position is 80% or more but less than 90% of live warrants. The third band is where a WTC position is 90% or more of live warrants.

10   The effect of this banding is that where a person's WTC position is above 90% of live warrants he should be prepared to lend for a day:

(a)   at no premium (i.e. "level") a sufficient number of lots to reduce his position below 90%;

(b)   at a premium of no more than ¼% of the cash price a sufficient number of lots to reduce his position below 80%; and

(c)   at a premium of no more than ½% of the cash price a sufficient number of lots to reduce his position below 50%.

11   The cash price used to calculate the premium each business day is the LME official cash settlement price published the previous business day. The maximum premium percentage is expressed as a US dollar amount rounded down to the nearest cent.

12   In the following example the notional WTC figures are the same as those used in paragraphs 2 and 4 above, i.e. the dominant position of 91.20% requires the holder to be prepared to lend 619 lots to reduce his position below 50%. The notional cash price being used is $2,000.

Lending Guidance Percentage Bands	Position Holder's Dominance in lots	Maximum Premium
90% and above	19	level
80% to 89.99%	150	$5.00
50% to 79.99%	<u>450</u>	$10.00
	total 619	

13   The Lending Guidance states that a dominant position holder "should be prepared to lend, if asked". This expression means that the dominant position holder should respond to demand in the market for borrowing at the premium set by the Lending Guidance. 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 lending guidance. In the example at paragraph 11 above, the dominant position holder should be prepared:-

(a)   to lend at least 19 lots at level if the Tom/next backwardation premium bid in the market reaches level. If the backwardation premium bid in the market stays below $5.00 he is not obliged to lend more than those 19 lots;

(b)   to lend an additional 150 lots at a premium of no more than $5.00 if the backwardation premium bid in the market reaches $5.00. If the backwardation premium bid in the market stays below $10.00 he will not be obliged to lend more than 169 lots (i.e. 150 lots at no more than $5.00 and 19 lots at no more than level);

(c)   to lend an additional 450 lots at a premium of no more than $10.00 if the backwardation premium bid in the market reaches $10.00. Once he has reduced his position below 50% he is no longer obliged to lend and those who wish to borrow will have to bid out the price until someone is prepared to lend.

14   If the dominant position holder chooses to continue lending, the maximum backwardation premium does not apply to any additional lending done after he has reduced his position below 50%.

15   Lending Tom/next involves selling for the Tom Prompt Date and buying for the cash Prompt Date. Where a dominant position holder reduces his WTC position on one day by lending Tom/next, he will be adding to his C position for the purposes of calculating his WTC position the next morning. This explains how a person may abide by the Lending Guidance but maintain a dominant position on successive days.

*   *The following two paragraphs are not relevant while the five-day rule has been suspended.*

        [*Dominant positions are also subject to reduced maximum premiums after the dominant position has been held for more than five successive

business days. On the sixth and subsequent successive business days a WTC position of 50% or more but less than 80% of live warrants is subject to a maximum premium of ¼% of the cash price. On the sixth and subsequent successive days a WTC position of 80% or more but less than 90% of live warrants is subject to a maximum premium of 0.15% of the cash price. The purpose of this reduction in the maximum premium is to take account of the effect of a dominant position over time.]

[*If, for example, a dominant position has fluctuated between 60% and 85% for five successive days, the reduced maximum premium of ¼% will apply to the WTC position of 50% or more but less than 80%; no reduction will apply to the position of 80% or more until that has been maintained for five successive days. The calculation of successive business days recommences following any day on which the Tom/next market in the relevant metal did not trade at a backwardation but only traded at level or at a contango.]

HOW TO COMPLY WITH THE LENDING GUIDANCE

16   The Lending Guidance is an obligation placed on those who hold a dominant long position in any of the LME metal markets. The holder of the dominant position is ultimately responsible for his own compliance with the Lending Guidance. This is the case both for members and non-members. In the case of a non-member, compliance with the Lending Guidance requires the non-member to give appropriate instructions to one or more of his brokers.

17   The LME Compliance Department calculates dominant positions on the basis of position reports submitted electronically by members. Members must notify the Exchange of the identity of all position holders and of any connections between two or more position holders. Details of new account holders must be notified to the Exchange before that new account starts trading. Where the LME Compliance Department identifies a dominant position, the holder of that position will be contacted both to confirm the figures used to calculate the dominant position and to discuss any steps to be taken. These steps could include adjustments to a WTC position to account for OTC business being brought on Exchange that day. Many non-members prefer to have these discussions direct with the LME Compliance Department rather than go through one or more of their brokers. Although, both members and non-members may discuss their WTC positions with the LME Compliance Department, the holder of a dominant position is best placed to know the size of his own WTC positions. Once the LME stock figures are published at 9.00am, a position holder is able to calculate whether or not his net WTC position triggers the Lending Guidance.

18   Increases or decreases in the LME warrant figures from the previous day's figures may affect whether a WTC position is dominant or whether the dominance exceeds the 80% or 90% thresholds and by how many lots. For this reason a dominant position holder is entitled to wait until the LME stock figures are published before complying with the Lending Guidance. However, if a dominant position holder chooses to lend before 9.00am, that lending

must be in compliance with the Lending Guidance. If there has been a material change in the live warrant figures, the dominant position holder may have to adjust some of the trades he did before the LME stock figures were published in order to ensure that his lending has complied with the Lending Guidance.

19   Lending in compliance with the Lending Guidance must be done in the correct order. If a dominant WTC position is above 90%, the position holder must lend at level a sufficient number of lots to bring his position below 90% before he may lend at a premium of ¼% of the cash price. Similarly, he must lend at a premium of no more than ¼% of the cash price a sufficient number of lots to bring his position below 80% before he may lend at a premium of ½% of the cash price. He must have reduced his position below 50% before he may lend at a premium greater than those specified by the Lending Guidance.

20   The LME provides three forums for trading: in the ring, on LMEselect and on the telephone. A dominant position holder should be prepared to respond to requests for borrowing in all three forums. A dominant position holder is not obliged to verify if the person borrowing from him is doing so to cover a short. However, the purpose of the Lending Guidance is to address the effect of his dominant position on those who are short. It would be an abuse of the Lending Guidance for a dominant position holder to contrive to lend to another person at the specified premium with the intention that that other person could lend in the market at a higher premium.

Lending on LMEselect

21   A bid on LMEselect is a request to the market. A dominant position holder must respond to bids on LMEselect where those bids reach the premium at which the dominant position holder must be prepared to lend. 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 Lending Guidance, a dominant position holder must trade with that bid to identify the borrower and subsequently adjust the price back to the correct premium. This adjustment cannot be done on LMEselect but requires a reversal trade and a new trade at the correct premium to be agreed on the telephone. If the circumstances suggest that bids for Tom/next borrowing on LMEselect will be higher that the backwardation premiums at which the dominant position holder will be obliged to lend, the dominant position holder should behave prudently and consider placing offers on LMEselect to anticipate bidding. This will avoid the need for adjustment trades.

22   If the dominant position holder is not a clearing member, he must make arrangements with his broker to take the necessary steps to respond to bids on LMEselect and to make adjustments where necessary.

Lending in the Ring

23   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 his WTC position below 50% by the start of the first ring must respond to bids in the ring where those bids reach the premium at which the dominant position holder must be prepared to lend.

24   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 the ring trading regulations 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, he must ensure that he responds to bids and that any lending he does is at premiums no higher than the premium prescribed by the Lending Guidance. In order to ensure this and to abide by the ring trading regulations, it may be necessary for the dominant position holder to offer to lend. If the circumstances suggest that Tom/next trading in the ring is likely to start at higher premiums, the dominant position holder should be prepared to open the ring with an offer before any bid is made.

25   If the dominant position holder in these circumstances is not a ring dealing member, he must make arrangements in good time for a ring dealing member to effect the necessary lending on his behalf.

BROKERS INSTRUCTED BY DOMINANT CLIENTS

26   There are a number of considerations that a member must take into account when acting for a client who is dominant. In particular, the member must ensure that his actions comply with the FSA Code of Market Conduct and the FSA Conduct of Business Rules.

27   If a member is instructed by a client to lend a number of lots at a particular backwardation premium, that instruction is an order for the purposes of FSA rules. In executing that order, the member must manage any conflicts of interest, must not misuse customer information or breach the FSA Code of Market Conduct. For example, it is clearly wrong for a member who is acting for a dominant position holder to borrow from that dominant position holder, or to collude with someone else to borrow from that dominant position holder, at the premium prescribed by the Lending Guidance with a view to lending in the market at a higher premium. Nothing that the member does should frustrate the dominant client's willingness or ability to lend to bidders in the market.

28   A member who receives an order from a client to lend in accordance with the Lending Guidance may already have orders from other clients to borrow. In situations like that, the member must be careful to comply with the FSA's rules on order priority and fair allocation.   In those circumstances the member must also keep in mind the responsibility on a dominant position holder to respond to bids on LME Select or in the ring. If he receives an order from a client to lend in accordance with the Lending Guidance and already

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has a bid on LMEselect that represents a client wishing to borrow he should cancel that bid on LMEselect before crossing the borrowing client's order with the dominant client's lending order.

29   When a member receives instructions from a client to lend in accordance with the Lending Guidance, that member will be in possession of privileged customer information. The member must be careful not to take advantage of that information and should give priority to his own clients who are short and to bids on LMEselect or in the ring over his house shorts.

CONCLUSION

30   All LME notices referred to in this document are available on the LME website. Those who would like any further clarification or explanation of the Lending Guidance should contact the Market Surveillance division of the LME Compliance Department at the Exchange: marketsurveillance@lme.com.