

Guidance on Notification Requirements



1 Background

Terms not otherwise defined in this guidance have the meanings given to them in the Rules and Regulations of the London Metal Exchange (the “LME”).

As part of its ongoing commitment to maintain the integrity and orderly functioning of its market, the Exchange wishes to provide guidance to Members highlighting some specific circumstances in which the Exchange would ordinarily expect to receive information directly from Members and/or may request further information from Members, in each case in accordance with the Rules.

In this respect, Members are reminded of their duty of disclosure under Part 2, Regulation 12.6 (m) of the Rules (“**Regulation 12.6 (m)**”) which requires them to deal with the Exchange in an open and cooperative manner and to keep the Exchange promptly informed of any matter concerning the Member which it might reasonably expect to be disclosed to it. Members will need to assess each matter on a case-by-case basis in order to determine whether it should be disclosed to the Exchange under Regulation 12.6 (m).

Part 2, Regulation 12.1 of the Rules (“**Regulation 12.1**”) requires Category 1, 2, 3 and 4 Members to provide a range of financial, trading and other relevant information to the Exchange. This includes such further information in relation to commercial matters as may be required by the Exchange generally or in any specific case (Part 2, Regulation 12.1.3) and such further information in relation to regulatory, compliance and market-conduct related matters as may be required by the Exchange (Part 2, Regulation 12.1.4).

The purpose of this guidance is to make Members aware of some specific circumstances in which the Exchange would ordinarily expect to receive information from Members under Regulation 12.6 (m) and/or may request further information from Category 1, 2, 3 and 4 Members under Regulation 12.1.

Any information provided by Members pursuant to this guidance should be sent to the Exchange by email to the designated email address specified by the Exchange for this purpose, details of which will be provided to Members.

The Exchange recognises that Members may need to exercise a degree of discretion when determining whether this guidance requires them to provide information to the Exchange. Members are encouraged to refer any questions regarding the practical application of this guidance to the Exchange by email using the designated email address.

For the avoidance of doubt, this guidance is not intended to be a comprehensive list of the circumstances in which Members would be expected to provide information to the Exchange under the Rules.

2 Subject matter

Circumstances in which Members would ordinarily be expected to provide information to the Exchange under Regulation 12.6 (m) and/or the Exchange may request further information from Category 1, 2, 3 and 4 Members under Regulation 12.1 include:

2.1 Financial concerns

- a. Metal Specific Client Non-Performing Exposures in excess of US\$3million. This information will alert the Exchange to any credit concerns of a Member or potential risk of market distortion that could result from a Relevant Client or a Member having to liquidate a position of a Relevant Client under a Relevant Contract.

For the purposes of this guidance:

“Client Non-Performing Exposures” means any of the following exposures of a Member’s Relevant Client under a Relevant Contract:

- i. exposures that are defaulted in accordance with prudential regulations applicable to a Member;
- ii. exposures that are experiencing a downward adjustment to their valuation due to a deterioration of their creditworthiness under the applicable accounting framework;
- iii. exposures for which margin calls have not been met by a Relevant Client, whether wholly or in part; or
- iv. any other exposures:
 - a. which are more than 90 days overdue; or
 - b. for which there is evidence that full repayment based on the relevant contractual terms is unlikely without a realisation of collateral, regardless of whether the exposure is current and the number of days for which it may be overdue; or
 - c. which have been forborne for any reason; or
 - d. which form part of a restructuring or standstill agreement;

“Metal Specific” refers to a situation in which one or more of the six main metals (AH, NI, CA, ZS, SN, PB) form part of the underlying asset or collateral;

“Relevant Client” means a Client or any other person who is a direct or indirect client of a Member; and

“Relevant Contract” means any Contract or Applicable OTC Contract.

Details of any such Metal Specific Client Non-Performing Exposures should be provided by a Member to the Exchange within two working days of them exceeding US\$3million using the Excel reporting template included in the Appendix.

- b. A fine being imposed on a Member which could materially impact its financial stability. Details of any such fine should be provided by a Member to the Exchange within two working days of it being imposed.

2.2 Market liquidity

A material change to a Member’s liquidity provision to the LME market. Examples of this type of change include, without limitation, Clients being restricted from taking short positions (where this was previously permitted), cessation of two-way price provision on LME Select and ending a Client’s access to the LME market. Details of any such change should be provided by a Member to the Exchange as soon as reasonably practicable and, where possible, before a change has been implemented.

2.3 Technology disruptions

Technology disruptions, including cyber-attacks or outages, affecting a Member or one or more of its Clients which could seriously impact their ability to access the LME market, including, but not limited to, access to trading systems, clearing systems and risk management controls either for a Member or a Client. Details of any such disruption should be provided by a Member to the Exchange no later than 24 hours from when it was first identified, including details of the event, its impact and anticipated next steps.

This supplements a Member’s obligation under Part 2, Regulation 12.6 (o) of the Rules to notify the Exchange and the Clearing House as soon as reasonably practicable upon becoming aware of

significant disruptions to its systems which have the potential to impact the orderly functioning of the Exchange or the Clearing House, including such disruption caused by any unauthorised use of a computer and/or system.

3 Other considerations

Any information provided by Members to the Exchange will be governed by the provisions of the Rules and appropriate internal policies and procedures to ensure confidentiality and proper use and will be made available to individuals within the Exchange and the Clearing House on a strict 'need to know' basis exclusively for the purpose of identifying potential market distortions and managing the associated risks.

Members are reminded that Part 2, Regulation 21.1 of the Rules requires the Exchange to treat as confidential all information received from a Member that concerns the business and affairs of a Member or Client, including any information relating to any Contract ("**Confidential Information**"). This is subject to Part 2, Regulation 21.2 of the Rules which sets out a number of situations in which the Exchange is permitted to disclose Confidential Information.

Any Member who would like to discuss any aspect of this guidance should reach out to their LME relationship manager in the first instance.

**Appendix
Form of Reporting Template**

Metal Specific Non-Performing Exposures

Client - Legal Entity Name	
LEI	
Credit Exposure in \$ terms	
Description of exposure, including type of transaction and legal maturity	
Rationale for classification as non-performing	