

SEPTEMBER 2019

**REVISIONS TO THE LOOSE-LEAF RULEBOOK
OF THE LONDON METAL EXCHANGE**

Release No 106

Enclosed are replacement pages of the LME Rulebook affected by recent revisions.

Updates comprise:-

Part 1 – Replace page 1-3

Part 3 – Replace the contents page and pages 3-23 to 3-62

Details of the substantive changes are below:

19/270	DECISION NOTICE – CONSULTATION ON SETTLEMENT PRICES FOR LMEPRECIOUS FUTURES
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Tom Hine

Ref: R106 (2019/5)

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; or

- (b) in respect of a Monthly Average Future, a Contract for the purchase or sale of a specific number of Lots for one Prompt Date for a specified metal coupled with one or more Contracts for the sale or, as the case may be, purchase comprising in aggregate the same number of Lots for the same metal 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 (also referred to as " SPOT ");
"Cash-Settled Future Daily Settlement Price"	in respect of each Cash-Settled Future, the relevant price determined for margining and daily settlement purposes of such Cash-Settled Future as determined in accordance with Regulation 5.7 of the Trading Regulations;
"Cash-Settled Future Final Settlement Price"	in respect of each Cash-Settled Future, the relevant price determined for final settlement purposes of such Cash-Settled Future as determined in accordance with Regulation 5.7.4 of the Trading Regulations;
"Cash-Settled 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 relevant Cash-Settled Future Final Settlement Price on the Prompt Date and the level agreed in the Contract, multiplied by the Contract size, settled on the relevant Settlement Business Day specified in the relevant Special Contract Rules Cash-Settled Futures and subject to daily marking to market in accordance with the Clearing House Rules and conforming to the other specifications prescribed by the Exchange, including the specific features for the relevant type of Contract set out in the relevant Special Contract

PART 3
TRADING REGULATIONS

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- (c) the third Wednesday in December of each of the following three calendar years in the case of all other metals.

The said prices shall be determined on the basis of trading during the second of that morning's Ring trading-sessions or on such other basis as the Quotations Committee shall, in its discretion, decide.

- 5.5 At the close of the afternoon Ring trading-session the Quotations Committee shall determine prices for metals in the same manner as provided in Regulation 5.1.1 and 5.1.2 but on the basis of trading in the fourth Ring. Such prices shall be known as "Unofficial Closing Prices" and shall be posted in the Exchange.
- 5.6 After the close of the afternoon Ring-trading session on the Prompt Date of each Index Contract, the Quotations Committee shall determine and publish the level of the Index based upon the Closing Prices of the Constituent Metals determined and published for that day in accordance with Regulation 6.1 of these Trading Regulations. The level of the Index so determined shall immediately be reported by the Company to the Clearing House and shall be the Settlement Price for the Index for such Index Contracts and for Cleared Contracts that have come into effect pursuant to the registration of Index Contracts by the Clearing House.
- 5.7 **Settlement Prices for Cash-Settled Futures and LMEprecious Futures and Closing Prices for Specified Metals**
 - 5.7.1 Each Cash-Settled Futures Daily Settlement Price shall be calculated using a volume weighted average price ("VWAP") from transactions on LME Select between such periods as shall be specified by way of Notice.
 - 5.7.2 The Exchange may specify a minimum volume threshold with respect to each Contract that is subject to this daily Settlement Price process, which shall be advised to the market from time to time by way of Notice.
 - 5.7.3 In the event that the minimum volume threshold requirement is not reached, then the relevant Cash-Settled Futures Daily Settlement Price shall be determined as follows:
 - (a) it shall be the last traded price within the bid/offer on the close of the pricing period, unless any of the following apply;
 - (b) if the last traded price is outside of the bid/offer on the close of the pricing period, then the closest price to the last trade that falls within the bid/offer will be used;
 - (c) if no trades have occurred during the pricing period, then the mid-point of the bid/offer on the close of the pricing period will be used;
 - (d) if no trades have occurred during the pricing period and no bid/offer exists on the close of the pricing period, then the last traded price may be used but there is no obligation on the Exchange to determine that Cash-Settled Futures Daily Settlement Price at that level;

- (e) if no trades have occurred during that day and no bid/offer exists, then the Cash-Settled Futures Daily Settlement Price will be determined with reference to market activity in related Prompt Dates and/or market activity during the pricing period on the previous Business Day; and
- (f) where no such pricing information exists, then the Cash-Settled Futures Daily Settlement Price will be determined by the Exchange in its absolute discretion.

5.7.4 Each Cash-Settled Futures Final Settlement Price shall be determined with reference to the corresponding Cash-Settled Future Index.

5.7.5 Errors in the Cash-Settled Future Index

Unless specified otherwise in the relevant Special Contract Rules for Cash-Settled Futures the following shall apply:

- (a) If, not later than 30 minutes after the Cash-Settled Futures Final Settlement Price has been published by the Exchange, any Member of the Exchange notifies the Exchange of, or it otherwise comes to the attention of the Exchange that there is an alleged or apparent error in the Cash-Settled Future Index, then the Exchange shall promptly request the index provider investigate such alleged or apparent error. If in the index provider's opinion an error has been made, the index provider shall correct any Cash-Settled Future Index value affected thereby and the Exchange shall as soon as reasonably practicable publish a correction to the Cash-Settled Futures Final Settlement Price, as required.
- (b) No correction to the Cash-Settled Future Index shall be made other than may be allowed for in Regulation 5.7.5(a).
- (c) Without prejudice to the generality of Regulation 19 (*Liability*) of these Trading Regulations, neither the Exchange nor its officers, employees, agents or representatives shall have any liability whatsoever in respect of any decision as to whether or not to correct the Cash-Settled Future Index, or as to whether or not to re-determine the Cash-Settled Futures Final Settlement Price.

5.7.6 Determination of the LMEprecious Daily Settlement Price and LMEprecious Final Settlement Price shall be specified by way of Notice from time to time.

5.7.7 The Exchange may, from time to time in accordance with Regulations 6.1 and subject to Regulation 6.4, specify that the Closing Prices for certain metals may be calculated using a VWAP from transactions on LME Select between such periods as shall be specified by way of Notice. Any minimum volume threshold and the process for determining such Closing Prices if such threshold is not reached, shall be set out by way of Notice.

5.8 **The Daily Settlement Price for Metal Options, Traded Average Price Options, Index Options and LMEprecious Options**

5.8.1 The daily Settlement Price for Metal Options, Traded Average Price Options, Index Options and LMEprecious Options shall be determined in accordance with the following, with the Clearing House having overall responsibility for the determination of the daily Settlement Price for Metal Options and LMEprecious Options, and the Exchange having day-to-day responsibility for the determination of such daily Settlement Price on a delegated basis.

- 5.8.2 For Traded Average Price Options, the Exchange shall input to the screen information service and display thereon the daily Settlement Price, Moving Monthly Average Settlement Price and Monthly Average Settlement Price for the relevant metal during the relevant tradeable month according to the currency in which the Traded Average Price Option is denominated.
- 5.8.3 For the purpose of enabling the Clearing House to determine Metal Option, Traded Average Price Option, Index Option and LMEprecious Option daily Settlement Prices pursuant to the Clearing House Rules, the Exchange shall, on each Business Day, use such options valuation methodology as may be agreed between the Exchange and the Clearing House from time to time for the purposes of its valuations. Without prejudice to the generality of the foregoing, the Exchange may determine the volatilities prevailing in the Market at or around 17:15 hours (or such other time as may be prescribed by Notice), for the Strike Price nearest the Closing Price and for such other Strike Prices as may be required by the Exchange in agreement with the Clearing House, of the relevant Metal Option, Traded Average Price Option, Index Option and LMEprecious Option Contract and each relevant month in which the relevant Metal Option, Traded Average Price Option, Index Option and LMEprecious Option is traded, and communicate the above to the Clearing House at or around 18:30 hours. The determination of the Closing Prices will take into account contributions from Members, voluntary contributions from Members and/or Clients, trading activity throughout the day, and/or any such other input data, including data from third party providers, as the Exchange may consider appropriate from time to time.
- 5.8.4 If a Member is active in a particular Metal Option, Traded Average Price Option, Index Option and/or LMEprecious Option at any particular time as determined by the Exchange, it shall be obliged to submit closing volatilities to the Exchange (in consultation, where appropriate, with the Clearing House), for the purpose of the Clearing House valuations if requested by the Exchange, unless the Exchange expressly states in its request that such contribution would be voluntary. The Exchange may specify by Notice that any Member that is active in LMEprecious Options must submit closing volatilities to the Exchange. If a Member fails to comply with such a request or requirement, or provides inaccurate or unreflective submissions, such Member may be subject to Exchange disciplinary procedures.
- 5.8.5 If a Client (who is not also a Member) is active in a particular Metal Option, Traded Average Price Option, Index Option and/or LMEprecious Option at any particular time, such Client may choose to submit closing volatilities to the Exchange on a daily basis for the purpose of the Clearing House valuations. The Exchange (in consultation with the Clearing House) will have absolute discretion to stop using voluntary submissions from any particular Client if they are deemed to be inaccurate or unreflective of volatilities prevailing in the market. Neither Clients nor Members shall be liable for any inaccurate or unreflective submissions made under this Rule 5.8.5.
- 5.8.6 For the avoidance of doubt, the daily Settlement Price for LMEprecious Options may be used for the purpose of margin calculations, but shall not be the price by reference to which the contract shall be exercised or abandoned on the Expiry Day (which price shall be the Settlement Price comprising the Exercise Reference Price, as determined in accordance with the LMEprecious Option Regulations).

6. CLOSING PRICES AND MARGIN

- 6.1 After the close of the afternoon Ring-trading session on each Business Day the Quotations Committee shall determine and publish Closing Prices in the Major Currency for each metal (for which there is a Ring trading session) for each Prompt Date, and the Index Futures Closing Price for each month forward, and the Premium Contract Closing Prices and the Company shall communicate the same to the Clearing House within a reasonable time after close of kerb trading. The Quotations Committee shall at the same time advise the Clearing House of such quoted values of Metal Contracts and Premium Contracts for such other Prompt Dates as may be necessary to enable current prices for all Prompt Dates to be calculated. The Exchange may determine the methodologies and data that will be used by the Quotations Committee to determine Closing Prices, including by specifying the use of electronically-based methodologies and/or sources of data, where deemed to be appropriate. Regulation 6.4 below shall apply to any such methodology or change of methodology from time to time.
- 6.2 For the purposes of Initial and Variation Margin, Carries shall comprise two or more separately identifiable Contracts each with a different Prompt Date.
- 6.3 Where in any documentation issued by the Exchange in relation to LMEprecious Futures refers to the "Closing Price" of such Contract(s), such reference shall be construed to mean the LMEprecious Daily Settlement Price.
- 6.4 The Exchange:
- (a) shall inform Members by Notice of the methodologies or sources of data to be applied by the Quotation Committee to determine Closing Prices;
 - (b) subject to consultation where appropriate in the circumstances, may determine that the methodology and/or source of data to be used by the Quotations Committee for determining the Closing Prices of any metal or tenor shall be changed, either on a time-limited or on a permanent basis. In the event that the Exchange proposes to make such a change, the Exchange shall, by Notice, provide Members with advance prior notice of the change and the basis on which such Closing Prices shall be determined. The Exchange shall provide such notice as it considers reasonable in the context of the proposed change and any operational impact on Members.

7. PAYMENT SYSTEM

Every Clearing Member shall make such arrangements as may be requisite for his participation in the payment system administered by the Clearing House.

8. PROMPT DATES

- 8.1 Metal Futures may have any of the following Prompt Dates (but subject, where relevant, to sub-paragraph 8.2 and 8.4 of this Regulation):-
- (a) Cash Today;
 - (b) Cash;
 - (c) each other day forward from Cash to the day which is three months forward from the date upon which the Contract is made (the "three-months date");

- (d) each Wednesday falling after the three-months date until and including the last Wednesday in the sixth calendar month after the calendar month in which the Contract is made;
- (e) each third Wednesday in each calendar month from and including the seventh calendar month to and including the fifteenth calendar month in the case of Contracts for Cobalt, Molybdenum, Steel Billet and Tin, or the twenty-seventh month in the case of Contracts for Aluminium Alloy and North American Special Aluminium Alloy, or the sixty-third month in the case of Lead, Primary Nickel and Special High Grade Zinc, or the one hundred and twenty-third month in the case of High Grade Primary Aluminium and Copper – Grade A, after the calendar month in which the Contract is made; or
- (f) the second Business Day of each calendar month from and including the fourth calendar month to and including:
 - (i) the twenty fourth calendar month after the calendar month in which the Contract is made, in the case of Contracts for Aluminium Alloy, North American Special Aluminium Alloy, High Grade Primary Aluminium, Copper – Grade A, Primary Nickel and Special High Grade Zinc; or
 - (ii) the fifteenth calendar month after the calendar month in which the Contract is made, in the case of Lead and Tin.

8.2 Index Contracts may have as their Prompt Dates (but subject, where relevant, to subparagraph 8.4 of these Trading Regulations) the second Wednesday in each permitted expiry month.

8.3 No Metal Contract in which the price is denominated in a currency other than sterling, US dollars or euro may be made for Cash Today or with a Prompt Date falling on a day which the Exchange shall have declared to be a day on which commercial banks in the principal financial centre for the currency concerned will not be open for the transaction of foreign exchange business. No Metal Option Contract may be made which, on declaration, would result in a Futures Contract with such a Prompt Date.

8.4.1 Except in relation to Monthly Average Futures, if any Prompt Date would fall on a day which is not a Settlement Business Day it shall instead fall on the next succeeding day which is a Settlement Business Day except:-

- (a) if the Prompt Date would fall on a Saturday and the preceding Friday is a Settlement Business Day;
- (b) if the Prompt Date would fall on Good Friday;
- (c) if the Prompt Date would fall on Christmas Day (and Christmas Day is on a Tuesday, Wednesday, Thursday or Friday); or
- (d) if the Prompt Date would fall on any other day which the Directors have specially declared is not a Business Day.

In the case of (a), (b) and (c) above, the Prompt Date shall instead fall on the preceding Settlement Business Day. In the case of (d) above the Prompt Date shall instead fall on such day as the Exchange in its absolute discretion shall determine.

- 8.4.2 If any Prompt Date falling within Trading Regulation 8.1(c) would, in spite of or by reason of the provisions of Trading Regulation 8.3, fall in the fourth calendar month after the calendar month in which the contract was made, it shall instead fall on the last Settlement Business Day in the third such calendar month.
- 8.4.3 The Chief Executive or the Chief Operating Officer shall be empowered to declare, by way of Administrative Procedure given on such notice as is reasonably practicable, that a particular date shall not be a Prompt Date, for the purposes of facilitating the migration to an alternative Clearing House or for any other reason. In such cases, where trading has already taken place for a Prompt Date which is subsequently declared not to be a Prompt Date, then any open positions will be rolled to the next available Prompt Date or such other date as the Exchange may determine in its absolute discretion.
- 8.4 LMEmini Futures may have the following Prompt Dates:
- (a) if, in any calendar month, the Contract is made on or before the LMEmini Last Trading Time for that calendar month, that Contract may have a Prompt Date on the third Wednesday of that calendar month and on the third Wednesday of each calendar month thereafter for eleven months, subject, where relevant, to Trading Regulation 8.3; or
 - (b) if, in any calendar month, the Contract is made after the LMEmini Last Trading Time for that calendar month, that Contract may have a Prompt Date on the third Wednesday of the next eleven calendar months thereafter, subject, where relevant, to Trading Regulation 8.3.
- 8.5 Monthly Average Futures may have the following Prompt Dates:
- (a) two Business Days following the last Business Day in the tradeable month which is to be used to calculate the Monthly Average Settlement Price; or
 - (b) where (a) is not a Settlement Business Day, the next Business Day which is a Settlement Business Day.
- 8.6 Cash-Settled Futures Contracts may have the Prompt Dates specified in the relevant Special Contract Rules for Cash-Settled Futures.
- 8.7 Premium Contracts may have the following Prompt Dates:
- (a) if, in any calendar month, the Contract is made on or before the Premium Contract Last Trading Time for that calendar month, that Contract may have a Prompt Date on the third Wednesday of that calendar month and on the third Wednesday of each calendar month thereafter for fifteen months, subject, where relevant, to Trading Regulation 8.3; or
 - (b) if, in any calendar month, the Contract is made after the Premium Contract Last Trading Time for that calendar month, that Contract may have a Prompt Date on the third Wednesday of the next fifteen calendar months thereafter, subject, where relevant, to Trading Regulation 8.3.
- 8.8 LMEprecious Futures may have the Prompt Dates specified in the LMEprecious Future Regulations.

8.9 LMEprecious Options may have the Prompt Dates specified in the LMEprecious Option Regulations.

8.10 Except as otherwise provided in these Trading Regulations, the Contract Regulations, the Traded Options Regulations and the Default Regulations each Contract shall be settled on its Prompt Date and, except as aforesaid, Metal Contracts and Premium Contracts shall not be settled earlier notwithstanding that an offsetting Contract for the same tonnage and Prompt Date may have been made. For the avoidance of doubt, this Trading Regulation 8.10 is subject to, and shall be construed in accordance with Regulation 4.4 of the Contract Regulations.

8.11 This Trading Regulation 8 is subject to Regulation 0 of the Default Regulations.

9. SETTLEMENT OF CONTRACTS

9.1 Cleared Contracts - General:

9.1.1 In Trading Regulations 9.1 to 9.4, references to "Cleared Contracts", "Cleared Metal Contracts", "Cleared LMEmini Contracts", "Cleared Index Futures", "Index Options", "Monthly Average Futures", "Cleared Monthly Average Futures", "Cleared Cash-Settled Futures", "Cleared Premium Contracts", "Cleared LMEprecious Options" and "Cleared LMEprecious Futures" shall be construed to include any Cleared Contract that arises pursuant to the Clearing House Rules upon the Execution of any Agreed Trade pursuant to these Rules and the Clearing House Rules.

9.1.2 Settlement of all Cleared Metal Contracts whether by offset or by delivery and settlement of differences shall be made on the relevant Prompt Date by reference to the Settlement Price determined for that Prompt Date in the currency of the relevant Cleared Metal Contract. Where the currency of the Cleared Metal Contract is not the Major Currency of the relevant metal, settlement shall be made by reference to the Settlement Price translated into the currency of the Cleared Metal Contract at the rate determined by the Company. Settlement of accrued rent and weight differences shall be made by reference to the Settlement Price applicable for that Prompt Date and in the Major Currency of the contract concerned.

9.1.3 Settlement of all Cleared LMEmini Contracts shall be made in cash on the relevant Prompt Date by reference to the Settlement Price determined for that Prompt Date for the relevant underlying metal, provided that only 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 shall be payable by or to the buyer or seller, as the case may be, multiplied by the Contract size.

9.1.4 In addition to their settlement on the Prompt Date, all Cleared LMEmini Contracts shall be subject to settlement to market in accordance with the Clearing House Rules.

9.1.5 Settlement of all Cleared Index Futures shall be made in cash on the Settlement Business Day following the Prompt Date. Settlement shall be made by reference to the Settlement Price of the Index, determined as provided in Trading Regulation 5.6, provided that only the difference between the Settlement Price of the Index and the Contract price shall be payable by or to the buyer or seller, as the case may be, multiplied by the Contract size.

- 9.1.6 In addition to their settlement on the Settlement Business Day following the Prompt Date, all Cleared Index Futures shall be subject to settlement to market in accordance with the Clearing House Rules.
- 9.1.7 Settlement of Index Options exercised in accordance with the Index Options Regulations shall be made in cash on the Settlement Business Day following the Prompt Date. The Granter shall pay to the Taker an amount in cash equal to the difference between the Settlement Price of the Index and the Strike Price multiplied by the Contract size.
- 9.1.8 Settlement of all Monthly Average Futures shall be made in cash on the relevant Prompt Date. Settlement shall be made by reference to the Monthly Average Settlement Price for the relevant tradeable month for the relevant underlying metal, provided that only the difference between the Monthly Average Settlement Price for the relevant tradeable month for the relevant underlying metal and the fixed price agreed by the buyer and seller in the relevant Contract shall be payable by or to the buyer or seller, as the case may be, multiplied by the Contract Size.
- 9.1.9 In addition to their settlement on the Prompt Date, all Cleared Monthly Average Futures shall be subject to daily marking to market in accordance with the Clearing House Rules.
- 9.1.10 Settlement of all Cleared Cash-Settled Futures shall be made in cash on the relevant Settlement Business Day specified in the Special Contract Rules for Cash-Settled Futures. Settlement shall be made by reference to the Cash-Settled Futures Final Settlement Price, determined in accordance with the process specified in the relevant Special Contract Rules for Cash-Settled Futures.
- 9.1.11 In addition to their settlement on the relevant Settlement Business Day specified in the Special Contract Rules for Cash-Settled Futures, all Cleared Client-Settled Futures shall be subject to daily settlement to market in accordance with the Clearing House Rules.
- 9.1.12 Cleared Cash-Settled Futures shall settle in accordance with the relevant Special Contract Rules for Cash-Settled Futures.
- 9.1.13 Cleared Premium Contracts shall settle in accordance with the Premium Contract Regulations.
- 9.1.14 Settlement of Cleared LMEprecious Options exercised in accordance with the LMEprecious Option Regulations shall be made on the Prompt Date by the coming into effect of an LMEprecious Future, in accordance with the LMEprecious Option Regulations and the Clearing House Rules.
- 9.1A **Cleared LMEprecious Futures – Settlement by Delivery**
- 9.1A.1 Settlement of all Cleared LMEprecious Futures shall be made by delivery of the relevant Lots of Precious Metal on the relevant Prompt Date in exchange for payment in US Dollars, calculated by reference to the LMEprecious Final Settlement Price determined for that Prompt Date and in accordance with the Clearing House Rules.
- 9.1A.2 In addition to their settlement on the Prompt Date, all Cleared LMEprecious Futures shall be subject to daily settlement to market in accordance with the Clearing House Rules.
- 9.1A.3 If a Clearing Member fails duly to deliver any amount of Precious Metal due to be delivered to the Clearing House:

- (a) the Clearing House may take such action as may be specified under the Clearing House Rules;
- (b) such failure shall constitute an act of misconduct for the purposes of Regulation 14 of the Membership Regulations; and
- (c) notwithstanding any application of the disciplinary process in Regulation 14 of the Membership Regulations, the Exchange shall co-ordinate with the Clearing House to determine the level of any fine or other penalty to be levied on the Clearing Member and the basis on which such fine or penalty may be imposed. For the avoidance of doubt, any failure by the Exchange to levy a fine or other penalty on the Clearing Member in respect of any failure to deliver Precious Metal shall not prevent the Clearing House from levying any fine or other penalty on the Clearing Member in accordance with the Clearing House Rules (and vice versa).

9.2 **Cleared Metal Contracts - Settlement of Differences:**

Differences shall be established on the relevant Prompt Date, in respect of all Cleared Metal Contracts, between the contract price and the Settlement Price determined for that Prompt Date. The Clearing House shall account to Clearing Members for differences thus established by placing the same to their credit or debit as the case may require in accordance with the Clearing House Rules.

9.3 **Cleared Metal Contracts - Closing by Offset:**

Bought and sold Cleared Metal Contracts of a Clearing Member for the same metal and Prompt Date and in the same currency shall, to the extent that they match each other, be closed on their Prompt Date by offsetting.

9.4 **Cleared Metal Contracts - Settlement by Delivery:**

9.4.1 The net Lots covered by Cleared Metal Contracts remaining following offset under Trading Regulation 9.3 shall be settled on their Prompt Date by payment subject to the Clearing House Rules.

9.4.2 The Clearing House shall raise invoices or credit notes for the contract weight of the net Lots covered by such Cleared Metal Contracts at the Settlement Price and in the currency of the relevant Cleared Metal Contract and shall deliver the same to the relevant Clearing Members. Such invoices and credit notes shall be for the contract weight without allowance for storage rent accrued and differences between contract weight and Warrant weight.

9.4.3 Payments and receipts in respect of the invoices and credit notes raised by the Clearing House under Trading Regulation 9.4.2 shall be effected through the payment system or, in the case of payments to sellers, in such other form as shall be specified by the Clearing House.

- 9.4.4 The net Lots covered by Cleared Metal Contracts following offset under Trading Regulation 9.3 which match as to metal and tonnage but not as to currency, shall be offset for the purposes of establishing the nett number of Warrants to be settled by delivery subject to the Clearing House Rules. Subject to Trading Regulation 17.8, such delivery of Warrants shall, from the date prescribed by the Exchange for the relevant metal, be effected pursuant to LMEsword in accordance with the LMEsword Regulations and Operating Procedures and the Clearing House Rules.
- 9.4.5 On the Business Day following the Prompt Date the Clearing House shall call on seller or buyer as requisite in order that allowances for accrued storage rent, and any difference between Warrant weight and contract weight be accounted for in respect of Warrants transferred to the buyer in accordance with the Clearing House Rules.
- 9.4.6 If a Clearing Member fails duly to deliver a Warrant due to be delivered to the Clearing House, the Clearing House may, without prejudice to its rights under the Clearing House Rules:
- 9.4.6.1 without prejudice to the accrued rights for damages of the Clearing House and the affected buying Clearing Member(s), direct the Warrant be delivered to and by the Clearing Member on the Business Day next following the Prompt Date, that the Contract terms be adjusted accordingly and the parties' payment obligations and entitlements thereunder be adjusted to give such rate of compensation to the buyer as the Exchange may from time to time direct; or
- 9.4.6.2 Invoice Back the metal due to be delivered in accordance with Trading Regulation 10.4.
- This Trading Regulation 9.4.6 shall apply subject to any directions of the Exchange made under Trading Regulation 17.1 or 17.2 below. The Exchange may prescribe such penalties for non-delivery of Warrants as it may from time to time deem fit in the Operating Procedures or by Notice.
- 9.4.7 The Exchange may prescribe dates in advance of the dates prescribed under Trading Regulation 9.4.4, following which Clearing Members may deliver only Warrants issued utilising LMEsword and bearing an LMEsword generated barcode.

9.5 **Client Contracts – General**

The provisions of this Trading Regulation 9.5 apply to the settlement of Client Contracts as between the Member and its Client. Any Cleared Contract that arises between a Clearing Member and the Clearing House pursuant to the Clearing House Rules that corresponds to a Client Contract, shall be settled in accordance with (i) Trading Regulations 9.1 to 9.4 above and (ii) the provisions of the Clearing House Rules.

9.6 **Client Metal Contracts**

- 9.6.1 Client Metal Contracts shall settle by offset or delivery.

Client Metal Contracts - by Offset:

- 9.6.2 Offsetting bought and sold Client Metal Contracts with the same Prompt Date and currency shall be settled on contract (round) weights, buyer and seller paying or receiving as the case may be any difference between the Contract prices of the Contracts so offset.

Client Metal Contracts - by Delivery:

9.6.3 Delivery of Warrants and settlement in respect of unmatched Client Metal Contracts shall be effected in accordance with the terms of the Client Metal Contract between the parties and the Contract Regulations. Such terms must require Warrants to be delivered by no later than 09.00 hours on the Prompt Date when a Category 4 Member or non-Member is the seller and transferor, and no later than 13.30 hours (so far as enabled by the seller's best endeavours) when a Clearing Member is the seller and transferor of the Warrants. Delivery shall be effected either pursuant to LMEsword in accordance with the LMEsword Regulations and Operating Procedures governing ex-cleared transfers or (until further notice) by delivery of the physical Warrant. The manner of delivery shall be as agreed by the parties or, in the absence of agreement, at the seller's option.

9.7 Daily Settling Client Contracts

9.7.1 This Regulation 9.7 of the Trading Regulations shall apply to:

- (a) Client Index Futures;
- (b) Client LMEmini Futures;
- (c) Client Cash-Settled Futures;
- (d) Client LMEprecious Futures

(each being a type of "**Daily Settling Client Contract**").

9.7.2 The Daily Settling Client Contracts listed in Regulation 9.7.1 above shall settle on the following basis:

- (a) Client Index Futures shall settle in cash on the Settlement Business Day following the Prompt Date in the same way as Cleared Index Futures as described in Trading Regulation 9.1.5.
- (b) Client LMEmini Futures shall settle in cash on the Prompt Date in the same way as Cleared LMEmini Futures as described in Trading Regulation 9.1.3.
- (c) Client Cash-Settled Futures shall settle in cash on the relevant Settlement Business Day specified in the Special Contract Rules for Cash-Settled Futures in the same way as Cleared Cash-Settled Futures as described in Trading Regulation 9.1.10.
- (d) Client LMEprecious Futures shall settle by the delivery of Precious Metal from the Seller to the Buyer on the Prompt Date.
- (e) Such Daily Settling Client Contracts shall also be subject to daily settlement to market or daily marking to market as agreed between the Member and its Client on the basis set out below.

9.7.3 As agreed between the Member and its Client, the Member shall effect the daily settlement to market of all open Daily Settling Client Contracts of each type. Regulations 9.7.4 to 9.7.6 below shall be subject to the application of Regulations 9.7.7 and 9.7.8, where applicable.

Calculation of Daily Settlement Amounts

9.7.4 In order to create a daily settlement amount, the Member shall, in respect of each open Daily Settling Client Contract of each type, effect between it and its Client a settlement contract, being a book-entry Contract on the same terms (except as to price) as the open Contract, save that where the Client is a buyer under the terms of the Contract, the Client shall be a seller under the terms of the settlement contract and vice versa, at the relevant price, being:

- (a) in respect of Client Index Futures, the Index Futures Closing Price;
- (b) in respect of LMEmini Futures, the LMEmini Futures Closing Price;
- (c) in respect of Cash-Settled Futures, the Cash-Settled Future Daily Settlement Price;
- (d) in respect of LMEprecious Futures, the LMEprecious Daily Settlement Price,

(each being the "**Relevant Daily Settlement Price**").

For the avoidance of doubt, the settlement contract shall not be registered in the Matching System.

9.7.5 The Member shall, upon completion of the procedure in Trading Regulation 9.7.4 above, calculate the daily settlement amounts and the Member and its Client shall (unless otherwise agreed) settle any daily settlement amounts arising.

Daily Settlement to Market and Marking to Market

9.7.6 Subject to the application of Regulation 9.7.7, where applicable, the Member shall, upon completion of the calculation of daily settlement amounts pursuant to Trading Regulation 9.7.5 above:

- (a) In respect of those open Contracts in a Client's name which have been settled pursuant to Trading Regulation 9.7.4 and which are subject to daily settlement to market, enter into and record in its books at the Relevant Daily Settlement Price referred to in Trading Regulation 9.7.4 above, book-entry Contracts in the Client's name as open Contracts on the same terms (except as to price) as the settled open Contracts, save that the Member shall not enter into and record in its books Contracts in the name of the Client if to do so would result in the Client being the purchaser under one type of Daily Settling Client Contract and the seller under another Daily Settling Client Contract of the same type, each such Daily Settling Client Contract having the same maturity month. For the avoidance of doubt, these book-entry Contracts shall not be registered in the Matching System.
- (b) In respect of those open Contracts in a Client's name which have been settled pursuant to Trading Regulation 9.7.4 above and which are subject to daily marking to market enter into and record in its books at the Relevant Daily Settlement Price referred to in Trading Regulation 9.7.4 above, new book-entry Contracts in the Client's name as open Contracts on the same terms (except as to price) as the settled open Contracts. For the avoidance of doubt, these book-entry Contracts shall not be registered in the Matching System.

Position Management where netting, aggregation or close out is applied to Client-Related Cleared Contracts

9.7.7 In the event that any Client-Related Cleared Contracts that are allocated to a client account of a Clearing Member at the Clearing House are subject to Position Netting at the Clearing House, and the corresponding Underlying Client Contracts are Daily Settling Client Contracts, such Underlying Client Contracts shall also be automatically and simultaneously subject to Position Netting under the Exchange Rules, on the following basis:

- (a) the Clearing Member and the Client (each acting as principal) shall be released from further obligations towards one another under such Underlying Client Contracts and their respective rights against one another under such Contracts shall be cancelled; and
- (b) simultaneously, new Client Contracts shall, by operation of this Regulation, come into full force and effect between the Clearing Member and the Client, such that the Clearing Member and the Client (each acting as principal) shall assume obligations towards one another and/or acquire rights against one another under such new Client Contracts; and
- (c) such new Client Contracts shall represent back-to-back Contracts to each post-netting Cleared Contract that is in effect following the Position Netting at the Clearing House, such that:
 - (i) for each post-netting Cleared Contract, there shall be a corresponding new Client Contract, having:
 - (1) the same direction; and
 - (2) the same commercial terms, including in relation to the amount of underlying metal and prices; and
 - (ii) the Variation Margin applicable to such a new Client Contract shall be the Variation Margin amounts applicable to the post-netting Cleared Contracts or such larger sum as may be agreed between the parties,

save that Position Netting at the Exchange shall not affect any terms or contractual rights or obligations between the Clearing Member and the Client that were not comprised in the terms of any Underlying Client Contract that was subject to Position Netting under the Exchange Rules; and

- (d) where Position Netting results in the close out by netting of Client-Related Cleared Contracts, the Underlying Client Contracts corresponding to such Client-Related Cleared Contracts shall also be automatically and simultaneously closed out by netting.

9.7.8 Each Clearing Member that, under the Clearing House Rules, maintains Client-Related Cleared Contracts allocated to any of its client accounts at the Clearing House on the basis of the application of Position Netting at the Clearing House must:

- (a) have ensured that, prior to the implementation of any Position Netting at the Clearing House, its terms of business or other contractual arrangements with the relevant Clients contain provisions that operate in a manner that is consistent with Regulation 9.7.7 and this Regulation 9.7.8, and do not contain provisions which would conflict with or frustrate the Position Netting of any Underlying Client Contract in accordance with Regulation 9.7.7 and this Regulation 9.7.8;
- (b) ensure that any Client that is party to an Underlying Client Contract that is or may be subject to Position Netting under the Exchange Rules:
 - (i) is notified of the fact that such Position Netting may occur, and when such Position Netting will take effect; and
 - (ii) upon Position Netting under the Exchange Rules, is promptly notified of the effect of Position Netting, such that the Client is at all times on notice of the Client Contracts (including the post-netting Client Contracts) that are in force between the Clearing Member and the Client;
- (c) ensure that its books and records relating to the Client Contracts and Cleared Contracts to which it is a party are at all times reconciled and up to date, such that it is at all times possible to identify which Cleared Contract (including a post-netting Client Contract) represents the clearing of which Client Contract (including a post-netting Cleared Contract); and
- (d) promptly upon request by the Exchange or Clearing House provide a copy of such books and records described in (c) above, in such a format that would easily enable reconciliation of the Client Contracts with the corresponding Cleared Contracts (including the post-netting Cleared Contracts).

9.8 **Client LMEprecious Future Contracts - Delivery**

Delivery of Precious Metal and settlement in respect of Client LMEprecious Futures shall be effected in accordance with the terms of the Client LMEprecious Future between the parties and the Contract Regulations. Such terms must require Precious Metal to be delivered by no later than:

- (a) no later than 16:00 hours on the Prompt Date when an LMEprecious Non-Clearing Member or non-Member is the Seller and transferor of the Precious Metal, and
- (b) no later than 16:00 hours (so far as enabled by the Seller's best endeavours) when an LMEprecious Clearing Member is the Seller and transferor of the Precious Metal,

or such other time as the Clearing House may prescribe from time to time.

Delivery shall be effected by delivery of the unallocated Precious Metal to the Buyer's account at a Precious Metal Clearer or by such other means as the parties may agree. The manner of delivery shall be as agreed by the parties or, in the absence of agreement, at the Seller's option.

9.9 **Client LMEprecious Option Contracts**

In the Money Client LMEprecious Option Contracts and At the Money Call Options on Client LMEprecious Option Contracts shall be subject to automatic exercise and settlement in the same way as Cleared LMEprecious Option Contracts, in accordance with the LMEprecious Option Regulations.

9.10 **Client Index Options**

In the Money Client Index Options shall be subject to automatic exercise and settlement in the same way as In the Money Cleared Index Options.

9.11 **Client Premium Contracts**

Client Premium Contract shall settle in accordance with the Premium Contract Regulations.

9.12 **Settlement Facility**

Members may designate an alternative settlement facility to the Clearing House for the settlement of a Contract provided that:

- (a) such links and arrangements exist between the designated settlement facility and any other settlement facility as are necessary to ensure the efficient and economic settlement of the Contract; and
- (b) the Exchange is satisfied that the smooth and orderly functioning of the financial markets will be maintained.

9.13 **Compression**

This Regulation 9 of the Trading Regulations shall be read and construed in accordance with Regulation 4.4 of the Contract Regulations.

9.14 **Client Clearing and Indirect Clearing Arrangements**

9.14.1 It shall be the responsibility of a Member, and not the Exchange, to ensure that any client clearing or Indirect Clearing Arrangement established by a Member is compliant with the Member's obligations under MiFID II, MiFIR and/or EMIR and/or any other applicable law or regulation.

9.14.2 Without prejudice to the specific requirements in Trading Regulations 2.6 and 3.9.1, a Member must not cause or facilitate any Agreed Trade to be made with or for a Client of such Member unless such Member is satisfied that such Client has established appropriate direct and/or Indirect Clearing Arrangements to become counterparty to the cleared transaction resulting from the Execution of such Agreed Trade.

9.14.3 Without prejudice to the generality of Regulations 9.14.1 and 9.14.2 above, where a Member intends to facilitate an Indirect Clearing Arrangement:

- (a) it shall be the sole responsibility of the Member to ensure that, and the Member must ensure that:

- (i) the Member has executed binding contractual terms with its counterparties, including any Client or Indirect Client (and, where the Member is not itself a Clearing Member, a Clearing Member):
 - (1) to give effect to the formation of the relevant Underlying Client Contract(s) at the Execution Time for the corresponding Cleared Contract; and
 - (2) to govern such Underlying Client Contracts(s);
 - (ii) the Member has notified its Client or its Indirect Client (as applicable) that any Indirect Clearing Arrangements that include a "second indirect client" or "third indirect client" must be compliant with the Indirect Clearing Regulations; and
 - (iii) the Indirect Clearing Arrangement is compliant with the Indirect Clearing Regulations as regards the segregation of assets and positions;
- (b) the Exchange shall be under no obligation to verify the compliance or appropriateness of any of the matters described in (a) above; and
- (c) notwithstanding (b) above:
- (i) the Member shall provide to the Exchange such information regarding the Indirect Clearing Arrangement as the Exchange may reasonably request, including without limitation, information demonstrating the basis on which the Member has complied with its obligations under (a) above; and
 - (ii) in the event that the Exchange, acting reasonably, has cause for concern that the Indirect Clearing Arrangement and/or the behaviour of any person participating in such Indirect Clearing Arrangement:
 - (1) is not compliant with the requirements in (a) above; and/or
 - (2) may threaten the operation of a fair and orderly market in Contracts; and/or
 - (3) be operated in a manner detrimental to the interests of participants in the market for Contracts,

the Member shall comply with any requirements notified by the Exchange, acting reasonably, to address such concerns.

9.14.4 An Indirect Clearing Arrangement that is permissible under these Rules shall include an arrangement:

- (a) where the Client of the Clearing Member is a Non-Clearing Member and such Non-Clearing Member has a Client that is, consequently, an Indirect Client of the Clearing Member; and
- (b) where the Client of the Clearing Member is not a Non-Clearing Member and such Client has its own client that is, consequently, an Indirect Client of the Clearing Member,

in each case provided that the arrangement complies with the Indirect Clearing Regulations, these Rules and the Clearing House Rules.

10. DELIVERY - GENERAL

- 10.1 Acceptance and delivery of documents including Warrants or Premium Warrants under the foregoing procedure shall be without prejudice to any question or dispute relating thereto being referred to arbitration. If any Clearing Member shall have any complaint whatsoever in respect of delivery or acceptance of delivery under a Cleared Contract with the Clearing House, he shall give written notice and particulars of his complaint to the Clearing House in conformity to the Clearing House Rules.
- 10.2 If there appears to the Clearing House to be a default by either party to a Cleared Contract with the Clearing House in respect of or arising out of a delivery, the Clearing House shall as soon as practicable take such steps as it deems appropriate to achieve an amicable settlement of the issue between the parties. If it appears to the Clearing House that such steps have not led and are not likely to lead to a settlement within a reasonable time, the Clearing House shall refer the dispute to the Directors.
- 10.3 If upon reference made to them by the Clearing House the Directors are of the opinion that the default is of minor significance, they may thereupon determine the issue upon such evidence before them as they may deem relevant and convey their determination to the parties. All parties shall forthwith accept such determination and shall implement its terms without question, provided that such acceptance and implementation shall be without prejudice to the right of any party to refer the dispute or any related dispute to arbitration under the Rules.
- 10.4 Where the Clearing House determines to Invoice Back metal in accordance with Trading Regulation 9.4.6.2 or (in the case of a Premium Contract) Premium Contract Regulation 3.9(f) or otherwise in accordance with the Clearing House Rules, it shall Invoice Back the metal in question to the seller at the price fixed by the Exchange. The Exchange may fix such a price as an applicable daily rate generally for the purposes of the Invoicing Back of the metal in question or for the specific case, at their absolute discretion, and such prices or rates may take account of any compensation that the Exchange consider should be paid by either party to the other. This Trading Regulation 10.4 shall apply subject to any directions issued in accordance with Trading Regulation 17.1 or 17.2 below.
- 10.5 An Invoicing Back price fixed under these Trading Regulations shall be binding on the parties. No dispute as to the price may be referred to arbitration but the completion of Invoicing Back shall be without prejudice to the right of any party to refer any other issue to arbitration under the Rules.
- 10.6 References in the Rules to the delivery of Warrants or Premium Warrants shall include a delivery of Warrants or Premium Warrants by way of a transfer within LMEsword in accordance with the LMEsword Regulations and Operating Procedures.

10.7 Where, as a consequence of a failure by a Member to deliver Precious Metal in respect of any Cleared Contract that is an LMEprecious Future, the Clearing House determines that it shall postpone its own delivery obligation in respect of such Precious Metal under any Client-Related Cleared Contract that is an LMEprecious Future, the Prompt Date in respect of the Underlying Client Contract that corresponds to such Client-Related Cleared Contract shall be postponed to the same date as revised date for delivery by the Clearing House under the Client-Related Cleared Contract.

11. DEALINGS IN THE RING

11.1 Business in the Ring shall be by open outcry and shall be confined within the times laid down for dealings in individual metals and Contract-types and for kerb dealings. Each Category 1 Member must ensure they have a Dealer in each Ring. Dealings shall be for Prompt Dates in accordance with Trading Regulation 8.1 subject to the provisions of any applicable Notice. Those present in the Exchange during Ring and kerb dealings shall at all times conduct themselves in an orderly manner.

11.2 Emergency Powers, Discipline and Offences

11.2.1 The Chief Executive and in the event of a fire or similar emergency any two employees of the Exchange authorised by the Chief Executive, shall have the power to suspend or interrupt Ring dealings during any session if in their discretion they consider that such action is in the best interests of the Exchange.

11.2.2 An employee of the Exchange who is properly authorised by the Chief Executive or Chief Operating Officer of the Exchange may take other action relating to discipline on the premises of the Exchange if in his view it is necessary to prevent a breach of any rule and to ensure the proper running of the market.

11.2.3 Minor offences ("**Minor Offences**"), dealing offences ("**Dealing Offences**") and serious offences ("**Serious Offences**") (each an "**Offence**" and together the "**Offences**") are acts of misconduct and will be dealt with in accordance with the provisions below.

11.2.4 The Exchange may, from time to time, notify to Members through Notices that it has designated any other activity as either a Minor Offence, a Dealing Offence or a Serious Offence and therefore also acts of misconduct.

11.3 Requirements in relation to dealing on the Ring and Dealing Offences

11.3.1 The rules in this Trading Regulation 11.3 shall at all times be observed by Dealers. Any breach of Trading Regulation 11.3 by Dealers will be deemed to be a Dealing Offence and an act of misconduct.

11.3.2 Dealings must cease as soon as the bell commences to ring.

11.3.3 Offers and bids must be addressed to the Ring at large and not to individuals, and must be clearly audible to the Ring as a whole.

11.3.4 There must be no discrimination either in favour of or against any Dealer or the Ring Member for whom he is dealing.

11.3.5 Any bid or offer remains valid at the price unless or until there has been a change in price or the bid or offer has been expressly withdrawn. In accordance with this Trading Regulation:

- (a) a change in price occurs when the price that is offered trades and is then bid, or vice versa, or when the price is bid higher or offered lower in conformity with the requirements of Trading Regulation 11.3; and
 - (b) if a Dealer who is bidding at a price wishes to offer at a lower price to his current bid, he must withdraw his current bid and immediately offer that same price before quoting a different price, unless a different price is quoted by another Dealer between the withdrawal by the Dealer and the new offer by that Dealer; and
 - (c) if a Dealer who is offering at a price wishes to bid at a higher price to his current offer, he must withdraw his current offer and immediately bid that same price before quoting a different price, unless a different price is quoted by another Dealer between the withdrawal by the Dealer and the new bid by that Dealer; and
 - (d) if a Dealer wishes to offer a price that is lower than the current bid price, he must sell all the Lots available at the bid price. He must then immediately offer that same price before quoting a different price, unless a different price is quoted by another Dealer between the trade at the bid price and the new offer by that Dealer; and
 - (e) if a Dealer wishes to bid a price that is higher than the current offered price, he must buy all the Lots available at the offered price. He must then immediately bid that same price before quoting a different price unless a different price is quoted by another Dealer between the trade at the offered price and the new bid by that Dealer; and
 - (f) any Dealer who is trading by open outcry will be deemed to have withdrawn his bid and/or offer should he leave the Ring.
- 11.3.6 Minimum price fluctuations shall be at such levels as the Exchange may from time to time prescribe.
- 11.3.7 Dealers should avoid using such terms as "I will sell only...." or "I will buy only...." if on acceptance they increase the number of Lots so specified, at the same price.
- 11.3.8 The Dealer who says "Yes" must be prepared to deal 50 Lots. Any unfilled balance up to this limit must be sold to or taken from other Dealers if immediately bid or offered. A response to "Yes" must be quantified by tonnage.
- 11.3.9 Bids or offers deemed by the Ring Disciplinary Committee to be frivolous are prohibited and may be deemed to be a prohibited practice pursuant to Trading Regulation 14.
- 11.3.10 The Dealer who is the first to bid or offer at a price must be given priority and is entitled to buy or sell all the Lots available at the price until his requirements are satisfied.
- 11.3.11 A Dealer who simultaneously offers to buy and to sell must be prepared to deal either way.
- 11.3.12 A Dealer must not:
- (a) bid at or more than the offered price nor offer at or below the bid price at the time of his offer or bid;
 - (b) bid below the bid price nor offer above the offered price at the time of his offer or bid.

- 11.3.13 During each Ring and kerb all opening bids and/or offers for Cash and 3 months in the case of all Contracts must be all the digits of the full price that is quoted.
- 11.3.14 The term "0", when it is in the last digit of the full price, must not be used.
- 11.3.15 During all Ring and kerb trading Dealers must ensure that:-
- (a) in the case of Copper - Grade A, High Grade Primary Aluminium, Special High Grade Zinc, Lead, North American Special Aluminium Alloy, Steel Billet and Aluminium Alloy the last two digits of the full price are quoted;
 - (b) in the case of Cobalt, Molybdenum, Primary Nickel, Tin and Index Futures the last three digits of the full price are quoted; and
 - (c) in the case of Premium Contracts, the last three digits of the full price is quoted.
- 11.3.16 Dealers must act with due skill, care and diligence at all times whilst dealing by open outcry or otherwise acting in their capacity as Dealers.
- 11.3.16.1 The Dealer who discloses the tonnage or Lots he is prepared to buy or sell is obliged to trade the full tonnage or Lots unless expressly withdrawn; and
- 11.3.16.2 the Dealer who is bidding and/or offering at a price for Cash or three months for Copper, High Grade Primary Aluminium, Special High Grade Zinc, Lead, Nickel, North American Special Aluminium Alloy and Aluminium Alloy during the second Ring must be prepared to deal 20 lots unless the tonnage is stated. In the case of Tin the Dealer must be prepared to deal 5 lots unless the tonnage is stated. Any unfilled balance up to these limits must be sold or taken from other dealers who immediately respond to the bid or offer.
- 11.3.17 Dealers must ensure that trades are completed in a timely and orderly manner. This applies in particular (but without prejudice to its general application) to business transacted towards the close of any Ring.
- 11.3.18.1 Dealers must not bid or offer at a price which is unknown at the time the bid or offer is made; and
- 11.3.18.2 during the second Ring for each metal and, in respect of each metal, during the last five minutes of kerb trading before that metal ceases to trade, Dealers may not trade behind the Ring at an unknown price for any Prompt Date other than for Carries.
- 11.3.19 Dealers must remain seated at all times whilst dealing by open-outcry in the Ring.
- 11.3.20 It is the duty of sellers or lenders to check their deals not later than 10 minutes after the close of the respective Ring trading session for each metal. Kerb deals are to be checked before leaving the Exchange. It is the duty of buyers or borrowers to co-operate.
- 11.3.21 During kerb trading no Dealer may stand behind the Ring in order to trade by open-outcry if there are no Dealers from the same Member seated in the Ring unless the express permission of an employee of the Exchange who is properly authorised by the Chief Executive is obtained. During the last five minutes of kerb trading for the close of each metal:
- (a) only the Dealer from a Member seated in the Ring may trade that metal; and

- (b) the Dealer who is bidding and/or offering at a price for a Carry between any two Prompt Dates must be prepared to deal 50 lots unless the tonnage for the Carry is stated. The Dealer who is bidding and/or offering at a price for Cash or three months for Copper, High Grade Primary Aluminium, Special High Grade Zinc, Lead, Nickel, North American Special Aluminium Alloy and Aluminium Alloy must be prepared to deal 20 lots unless the tonnage is stated. In the case of Tin the Dealer must be prepared to deal 5 lots unless the tonnage is stated. Any unfilled balance up to these limits must be sold to or taken from other Dealers who immediately respond to the bid or offer.
- 11.3.22 A dealer must not commit any other activity of a kind which two or more members of the Ring Disciplinary Committee deem to be a Dealing Offence.
- 11.4 Requirements in relation to conduct & Minor Offences
- 11.4.1 The rules in this Trading Regulation 11.4 shall at all times be observed by Dealers and Member Representatives. Any breach of Trading Regulation 11.4 by Dealers or Member Representatives will be deemed to be a Minor Offence and an act of misconduct.
- 11.4.2 Dealers and Member Representatives must not undertake conduct of an unprofessional nature, including:
- (a) failure to observe the Exchange Dress Code;
 - (b) failure to observe the Exchange Food/Beverages Code;
 - (c) chewing whilst in the Dealing Area;
 - (d) the sale and/or display of non-LME products in the Dealing Area;
 - (e) the use of foul and abusive language;
 - (f) reading newspapers or magazines etc. in the Dealing Area;
 - (g) unacceptable behaviour such as slovenly behaviour, overzealous behaviour and drunken behaviour;
 - (h) sitting down in the Dealing Area unless the Exchange (in its absolute discretion) has authorised the Dealer or Member Representative that they can use a particular seat in their respective Member's booth;
 - (i) smoking on Exchange premises at any time;
 - (j) the use of mobile telephones in the Dealing Area (the use of mobile telephones is prohibited at all times in the Dealing Area); and
 - (k) excessive noise from behind the Ring whilst dealings are in progress.
- 11.4.3 Dealers and Member Representatives must not undertake conduct likely to interfere with trading activity or to cause disorder or offence or damage on Exchange premises including:-
- (a) failure to comply with the Exchange security procedures or misuse of LME Identity Badges;

- (b) abuse of the Visiting Regulations;
- (c) the throwing of projectiles; and
- (d) failure to follow the procedure for making objections as published by the Exchange in Notices from time to time.

11.5 Serious Offences

11.5.1 The rules in this Trading Regulation 11.5 shall at all times be observed by Dealers and Member Representatives. Any breach of Trading Regulation 11.5 by Dealers or Member Representatives will be deemed to be a Serious Offence and an act of misconduct. Serious Offences which are acts of misconduct include:-

- (a) violent conduct or conduct likely to cause injury to another person on Exchange premises;
- (b) the unauthorised removal of or damage to the Exchange structure or equipment;
- (c) disobedience in failing to comply with the lawful instruction of a properly authorised employee of the Exchange or a Member of the Ring Disciplinary Committee;
- (d) the wilful disregard of the Rules;
- (e) harassment of Exchange staff, including physical contact with Exchange staff or threatening Exchange staff;
- (f) preventing Exchange staff from carrying out their duties;
- (g) any breach by a Dealer or Member Representative of Regulation 14 of the Trading Regulations; and
- (h) any other act of misconduct of a kind which the Ring Disciplinary Committee deems to fall into this category, including the Serious Offence outlined in Regulation 11.8.4 of the Trading Regulations.

11.6 Investigations and Enforcement for Minor and Dealing Offences

11.6.1 Breaches by Dealers or Member Representatives of the provisions of the Trading Regulations or where relevant the Membership Regulations, may be categorised by the Ring Disciplinary Committee as Minor Offences, Dealing Offences or Serious Offences.

11.6.2 The Ring Disciplinary Committee may refer to the Exchange's video and audio surveillance system of the Ring in determining if any Offence has been committed.

11.6.3 Where the Ring Disciplinary Committee considers that a Dealer or Member Representative has committed either a Minor Offence or a Dealing Offence, the Ring Disciplinary Committee may in its absolute discretion issue a RDC Warning. Not later than close of business on the Business Day following receipt of the RDC Warning, such person and/or their nominated representative shall, on request to the Ring Disciplinary Committee, be entitled to inspect at the Exchange during business hours any relevant video or audio surveillance footage which is available, and the Ring Discipline Committee shall comply with such request. RDC Warnings shall not be issued for Serious Offences.

11.6.4 Where the Ring Disciplinary Committee considers that a Dealer or Member Representative may have committed a Minor Offence or a Dealing Offence (and the Ring Disciplinary Committee in its absolute discretion does not intend to issue a RDC Warning for that particular Minor Offence or Dealing Offence), the Ring Disciplinary Committee shall:

- (a) notify such person in writing; and
- (b) not later than close of business on the Business Day following receipt of written notice in accordance with Trading Regulation 11.6.4(a), such person and/or their nominated representative shall, on request to the Ring Disciplinary Committee, be entitled to inspect at the Exchange during business hours any relevant video or audio surveillance footage which is available, and the Ring Discipline Committee shall comply with such request.

11.6.5 Where, following expiration of the inspection period referred to in Trading Regulation 11.6.4(b), the Ring Disciplinary Committee has determined that a Dealer or Member Representative has committed either a Minor Offence or a Dealing Offence:

- (a) the Ring Disciplinary Committee shall notify such person in writing;
- (b) not later than close of business on the Business Day following receipt of written notice in accordance with Trading Regulation 11.6.4(a), such person and/or their nominated representative shall, on request to the Ring Disciplinary Committee and if they have not already done so in accordance with Trading Regulation 11.6.4(b), be entitled to inspect at the Exchange during business hours any relevant video or audio surveillance footage which is available, and the Ring Disciplinary Committee shall comply with such request; and
- (c) where no appeal is lodged by such person in accordance with Trading Regulation 11.6.8, the Ring Disciplinary Committee shall issue a Notice to all Members explaining the nature and circumstances of the Offence and any penalty imposed.

11.6.6 Any two or more members of the Ring Disciplinary Committee may impose a penalty for Dealing Offences as described in Regulation 11.3 in accordance with the table of fines and penalty points listed below:

		Fine	Penalty Points
1st offence	up to	£5000	20
2nd offence	up to	£10000	40
3rd offence	up to	£20000	80
4th offence	up to	£50000	160

11.6.7 Any member of the Ring Disciplinary Committee may impose a penalty for Minor Offences in accordance with the tables of fines and penalty points listed below:-

- (a) Conduct of an unprofessional nature, as described in Regulation 11.4.2 of the Trading Regulations:-

		Fine	Penalty Points
1st offence	up to	£500	20
2nd offence	up to	£1000	40
3rd offence	up to	£2000	80
4th offence	up to	£4000	160

- (b) Conduct likely to interfere with trading activity or to cause disorder or offence or damage on Exchange premises, as described in Regulation 11.4.3 of the Trading Regulations:-

		Fine	Penalty Points
1st offence	up to	£1000	20
2nd offence	up to	£2000	40
3rd offence	up to	£4000	80
4th offence	up to	£8000	160

11.6.8 Ring Appeals

- (a) Any Dealer or Member Representative who is the subject of an RDC Decision and who is dissatisfied with that RDC Decision including with any penalty imposed in the RDC Decision may, by the close of the Business Day following the day of receiving the RDC Decision, lodge a Ring Appeal in the form of a Ring Notice of Appeal. The Chairman of the Enforcement Committee shall refer the Ring Appeal to the Chairman of the Disciplinary Panel who will constitute a Disciplinary Committee in accordance with Regulation 11 of the Membership Regulations in order to determine the Ring Appeal. The Ring Appeal shall be conducted in accordance with Regulations 14.17-14.23 of the Membership Regulations.
- (b) The RDC Decision, including any sanction imposed in the RDC Decision, shall be suspended from the date on which the Chairman of the Enforcement Committee receives the Ring Notice of Appeal up until the date of determination of any such Ring Appeal by the Disciplinary Committee.

11.7 Investigations and Enforcement for Serious Offences

11.7.1 A Serious Offence by a Dealer or Member Representative will be an act of misconduct for the purposes of Regulation 14 of the Membership Regulations.

11.7.2 Any member of the Ring Disciplinary Committee who believes in good faith in his absolute discretion that a Serious Offence has been committed by any person may request that such person immediately leave the Exchange premises for the remainder of the trading day, and if necessary and proportionate to the Serious Offence believed to have been committed, for such further period as is considered appropriate, and such person shall comply with any such request.

11.8 Disciplinary Record

- 11.8.1 After a period of twelve calendar months has elapsed from the time of an Offence the number of points accumulated for that Offence for that individual will be cancelled.
- 11.8.2 After a period of thirty six calendar months has elapsed from the time of an Offence the fine amount for that Offence for that individual will no longer be on that person's record.
- 11.8.3 Any person who accumulates: (i) 60 or more penalty points within a period of three calendar months; (ii) 140 or more penalty points within a period of six calendar months; or (iii) 300 or more penalty points within a period of twelve calendar months, shall automatically be suspended from trading in the Ring for two Business Days. In such case, the Ring Disciplinary Committee shall inform the person of the fact of his suspension and the date it shall commence by notice in writing.
- 11.8.4 Any person who accumulates 140 or more penalty points within a period of three calendar months or 300 or more penalty points within a period of six calendar months will be considered to have committed a Serious Offence.

12. DEALINGS ON LME SELECT

- 12.1 Business for LME Select shall be in accordance with the Rules.
- 12.2 Only LME Select Participants may have direct access to LME Select and such LME Select Participants must have entered into relevant contractual agreement as stipulated by the Exchange from time to time.
- 12.3 LME Select Participants are required to maintain adequate internal procedures and controls to maintain the confidentiality and anonymity of LME Select trading activity, and to ensure that only internal authorised personnel are able to access data relating to the identity of trading counterparties.
- 12.4 LME Select Participants must advise the Exchange in writing if any Dealer leaves the employment of an LME Select Participant. Until such time as a Dealer's access to LME Select has been revoked, the relevant LME Select Participant shall remain responsible for all activity undertaken by such Dealer.
- 12.4A LME Select Participants are required to:
- (a) maintain the confidentiality and anonymity of LME Select trading activity (including the identity of any counterparties);
 - (b) ensure that only internal authorised personnel are able to access data relating to the identity of trading counterparties; and
 - (c) not disclose LME Select trading activity (including the identity of any counterparties) to third parties other than as compelled by law or regulation.
- 12.5 The Exchange reserves the right, acting reasonably and in its absolute discretion, to suspend or revoke the access of a Dealer, Member Representative and/or a Member and, where applicable, its Clients, to LME Select and/or to any other systems and facilities (including any successor systems or facilities) of the Exchange, as the Exchange deems necessary.

- 12.6 LME Select Participants must ensure that appropriate and adequate training has been provided to all staff that has access to LME Select. All relevant staff should be regularly reviewed, and additional training provided if required or if the Exchange notifies the LME Select Participant that further training of a particular staff member is required.
- 12.7 LME Select Participants and Clients may not distribute, disseminate or share LME Select price, volume, trade and/or any other data, unless they have entered into the appropriate licence agreement with the Exchange to do so.
- 12.8 The following rules of trading procedure shall apply at all times when the central order book is open for order matching:-
- 12.8.1 bids or offers deemed by the Executive to be frivolous are prohibited and may be deemed to be a prohibited practice pursuant to Trading Regulation 14;
- 12.8.2 orders will be matched on a price/time priority basis or such other method as otherwise advised or defined by a Notice issued by the Exchange;
- 12.8.3 an order entered into the central order book will lose priority if the tonnage against any bid or offer is increased or the price is changed;
- 12.8.4 an order entered into the central order book will not lose priority if the tonnage against any bid or offer is reduced and the price remains unchanged;
- 12.8.5 orders entered into LME Select must be in multiples of Lots and with minimum price fluctuations as shall be prescribed by the Exchange from time to time;
- 12.8.6 dealers must act with due skill care and diligence at all times whilst dealing on LME Select; and
- 12.8.7 permitted orders shall be in accordance with those prescribed by the Exchange from time to time.

Order routing services (Direct Electronic Access)

- 12.9 LME Select Participants may offer order-routing facilities (also known as direct electronic access under MiFID II) to a Client, but in such cases the LME Select Participant retains responsibility for, and remains liable for, all trading activity conducted by such Client, including all orders submitted and trades executed using the order-routing facility.
- 12.10 LME Select Participants must have in place appropriate pre-trade risk controls and procedures for all orders submitted to LME Select. LME Select Participants offering order-routing facilities to Clients must ensure that all orders submitted by Clients are subject to appropriate pre-trade risk controls and procedures that have been implemented by the LME Select Participant concerned. LME Select Participants may not rely upon any pre-trade risk controls or procedures that Clients may have implemented themselves to satisfy this Regulation.
- 12.11 LME Select Participants offering order-routing facilities to Clients must:
- (a) comply with the relevant requirements under MiFID II regarding the provision of Direct Electronic Access services;

- (b) ensure that Clients using their order-routing services comply with MiFID II and all relevant Rules; and
 - (c) meet all of the requirements prescribed by the Exchange for providing order-routing services, including conditions established by Notice, as amended by the Exchange from time to time.
- 12.12 Any LME Select Participant offering order-routing facilities to its Clients must monitor such Clients' use of such facilities and any transactions executed through such facilities in order to identify infringements of the requirements in MiFID II and/or the Rules. In the event that an LME Select Participant identifies any such infringement, it must notify the Exchange.
- 12.13 The Exchange will monitor trading activity carried on via order-routing facilities and may, in the event of (i) an infringement of MiFID II, the Rules, or the requirements prescribed by the Exchange for order-routing services or (ii) any other situation where the Exchange may deem it necessary, acting reasonably and at its absolute discretion:
- (a) stop orders or trading by a person using order-routing services; and/or
 - (b) suspend or terminate the provision of order-routing services by the relevant LME Select Participant.
- 12.14 Trading Regulations 12.10, 12.11 and 12.12 shall apply with effect from 3 January 2018.

LME Select API Client Trades

- 12.15 Trading Regulation 2.7 shall apply in the event that:
- (a) a Member makes available to a Client the order-routing facility of the LME Select API; and
 - (b) due to any use by a Client of the order-routing facility of the LME Select API, one or more Cleared Contracts come into effect between the Clearing House and a Clearing Member.

Identification of Clearing House Accounts

- 12.16 LME Select Participants must, when submitting orders into LME Select, correctly identify the appropriate account of the Clearing Member for the resulting Agreed Trade at the Clearing House.
- 12.17 Any failure by:
- (a) an LME Select Participant to comply with Trading Regulation 12.16 above; or
 - (b) a Clearing Member to comply with its obligation to correct an incorrectly allocated Cleared Contract in accordance with the Administrative Procedures,

shall be an act of misconduct for the purposes of Regulation 14 of the Membership Regulations, and may result in disciplinary action against the Member by the Exchange.

Transparent Reporting of Orders to LME Select

- 12.18 Where any LME Select Participant:

- (a) submits its own orders into LME Select; or
 - (b) offers Direct Electronic Access services to enable Clients to submit orders into LME Select,
- such LME Select Participant must ensure that:
- (i) all such orders are submitted into LME Select without delay; and
 - (ii) no such order is withheld from submission into LME Select for the purpose of offsetting such order against any other order or orders that would ordinarily be submitted into LME Select, including but not limited to offsetting one Client order against another Client order.

Use of LME Information through LME Select API

12.19 The Exchange hereby consents, subject to Regulation 12.20 and 12.21 below, to allow a Member to:

- (a) transmit LME Information to Member API Clients;
- (b) permit Member API Clients to transmit LME Information to their Member API Member API Sub-Clients;
- (c) use LME Information for Non-Display Usage by such Member; and
- (d) transmit LME Information to Member API Clients for use by the Member API Clients and/or Member API Sub-Clients for Non-Display Usage by such Member API Client and/or Member API Sub-Client.

12.20 It is prohibited for any Member, Member API Client or Member API Sub-Client to:

- (a) store, manipulate or use for Non-Display Usage any LME Information for commercial purposes; and
- (b) to transmit LME Information to, or otherwise permit access to LME Information by, a Non-LME Multi-Dealer Trading System (without the express prior consent of the Exchange),

and the Member shall be:

- (i) responsible for procuring compliance by any Member API Client or Member API Sub-Client with such prohibitions; and
- (ii) liable to the Exchange for any breach of such prohibitions by any Member API Client or Member API Sub-Client as if such breach had been committed by the Member itself;

12.21 The consent given pursuant to Regulation 12.19 above is given subject to the following conditions (and the Member shall comply, and be responsible for procuring compliance, with such requirements):

- (a) no Member may transmit LME Information to any Member API Client or permit any Member API Client to transmit LME Information to any Member API Sub-Client unless the following conditions are satisfied:

- (i) Member API Clients to which LME Information is transmitted by a Member must have entered into a formal client engagement agreement with the Member, reflecting the requirements, conditions and limitations set out in Regulations 12.19 to 12.21 (including, for the avoidance of doubt, the requirement to comply with Regulation 12.21(a)(ii) below); and
 - (ii) Member API Sub-Clients to which LME Information is transmitted must have entered into a formal client engagement agreement with a Member API Client reflecting the requirements, conditions and limitations set out in Regulation 12.21 (including, without limitation, the prohibitions specified in Regulation 12.20 above);
- (b) without limitation to (a) above, the Member shall procure that each Member API Client that has access to LME Information via the LME Select API shall have entered into an agreement with the Member (to be produced to the Exchange on request) whereby the Member API Client:
- (i) agrees:
 - (1) to treat such LME Information as confidential information of the Exchange; and
 - (2) that it shall not distribute LME Information to any other person (except as expressly permitted under these Regulations 12.19 to 12.21 or as required by applicable law or regulation);
 - (ii) agrees to comply with the Financial OTC Booking Fee Policy as:
 - (1) an Affiliate of the Member (where such Member API Client is an Affiliate of the Member); or
 - (2) as a Licensee, as such term is defined in the Financial OTC Booking Fee Policy (where such Member API Client is not an Affiliate of the Member);
 - (iii) agrees and confirms that, where the Member API Client intends to transmit LME Information to any Member API Sub-Client, it has in place agreements with such Member API Sub-Client (a "Member API Sub-Client Agreement"):
 - (1) under which the Member API Sub-Client agrees to treat such LME Information as confidential information of the Exchange; and
 - (2) that prohibits such Member API Sub-Client from re-distributing LME Information to any other person (except as required by applicable law or regulation);
 - (iv) agrees to include in every Member API Sub-Client Agreement, an agreement by the Member API Sub-Client to comply with the Financial OTC Booking Fee Policy as:
 - (1) an Affiliate of the Member (where such Member API Sub-Client is an Affiliate of the Member); or

- (2) as a Licensee, as such term is defined in the Financial OTC Booking Fee Policy (where such Member API Sub-Client is not an Affiliate of the Member);
 - (v) acknowledges that only Category 1 Members and Category 4 Members may issue a Client Contract that is an LME Base Contract;
 - (vi) acknowledges that only LMEprecious General Clearing Members and LMEprecious Non-Clearing Members may issue a Client Contract that is an LMEprecious Contract;
 - (vii) confirms that, if the Member API Client trades with Member API Sub-Clients, those Member API Sub-Clients have been made to understand that they do not receive Client Contracts;
- (c) the Member shall pay to the Exchange such fees in respect of the access permitted pursuant to Regulation 12.19 as the Exchange shall specify by Notice (as may be amended or updated by the Exchange from time to time);
- (d) the Member shall send to the Exchange such reports, in respect of the access and use of LME Information by the Member and any Member API Clients and/or Member API Sub-Clients, as the Exchange may specify by Notice, in accordance with such requirements as may be specified in such Notice;
- (e) the Member shall comply with the requirements of the Exchange in relation to the identification of Member API Clients and Member API Sub-Clients as notified by the Exchange to the Member from time-to-time;
- (f) (without prejudice to the prohibitions specified in Regulation 12.19, and the Member's liability for any breach by a Member API Client or Member API Sub-Client of any such prohibition) the Member shall use its reasonable endeavours to ensure that each Member API Client and Member API Sub-Client who has access to LME Information does not copy, distribute or transmit it without the prior consent of the Exchange or except as explicitly permitted by these Regulations 12.19 – 12.21, and the Member shall cease to make available LME Information to any Member API Client whom it knows or has reasonable cause to suspect is copying, distributing, transmitting or permitting to be made available LME Information without the consent of the Exchange or except as explicitly permitted by this Regulations 12.19– 12.21;
- (g) the Member shall retain all documents, books and records relevant to the making available of LME Information to Member API Clients as contemplated by these Regulations 12.19 – 12.21 (including a list of the names and address of each Member API Client to whom LME Information is available and the number of Terminals, Users and Applications of that Member API Client, a list of identities of end users and access identifications and such other information as may be required by the LME from time to time) during the currency of the Member's Membership and for a period of six (6) years following the termination of the Member's Membership;

- (h) for the purposes of ensuring compliance by the Member with the terms of these Regulations 12.19 – 12.21, the Member shall permit the Exchange and its representatives to have access on reasonable notice to such of the Member's documents, books and records (including those referred to in paragraph (g)) and personnel as it may reasonably require for audit purposes. This is without prejudice to any other rights of the Exchange, contained elsewhere in the Rules, to inspect documents, books and records of Members;
- (i) the Member undertakes that it will at all times be in compliance with all local, legal and regulatory requirements regarding the arrangements that it has with each Member API Client that the Member permits to transmit LME Information to Member API Sub-Clients;
- (j) subject to paragraph (k) below, the consent granted under Regulation 12.19 shall be automatically withdrawn upon termination of the Member's Membership; and
- (k) the Exchange may withdraw its consent under Regulation 12.19, in whole or in part (including in respect of individual Member API Clients and/or Member API Sub-Clients), on 7 days' written notice to the Member.

13. **TRADE INVALIDATION AND CANCELLATION**

- 13.1 The Exchange may, in certain circumstances, invalidate transactions in accordance with the relevant procedures established by Notice.
- 13.2 Where an LME Select Participant has made an error in the execution of a transaction undertaken on LME Select, such LME Select Participant may request that the Exchange contact the counterparty(ies) to determine whether such counterparty(ies) would agree to the transaction being cancelled. In the event that the counterparty(ies) do not agree to the request, then the transaction will not be cancelled.
- 13.3 Notwithstanding Trading Regulation 13.2, the Exchange may in its absolute discretion review any transaction undertaken on LME Select and invalidate or adjust the price of any trade in accordance with any policy that the Exchange issues from time to time on erroneous trades.

14. **PROHIBITED PRACTICES**

- 14.1 No person shall manipulate or attempt to manipulate or otherwise abuse or attempt to abuse the market or create or attempt to create an artificial market.
- 14.2 No person shall enter into or attempt to enter into a transaction or series of transactions designed to create an artificial market whereby prices and turnover do not truly reflect the business transacted.
- 14.3 No person shall undertake or attempt to undertake wash or bogus transactions.
- 14.4 No person shall demonstrate or attempt to demonstrate that trading activity has taken place when it has not in fact occurred nor shall any person mislead or attempt to mislead Exchange staff as to the nature of any trading activity.
- 14.5 No person shall, either intentionally or unintentionally, create or attempt to create a disorderly market.

- 14.6 No person shall trade, place orders to trade or encourage any other person to trade in the same direction (purchase or sale) as a Client order with a view to realising a profit or avoiding a loss, pursuant to any price movement brought about by such Client order.
- 14.7 No person shall mislead or attempt to mislead Exchange staff as to the nature of any orders or transactions.
- 14.8 No person shall manipulate or attempt to manipulate any prices or indices set or published by the Exchange.
- 14.9 No person shall undertake, attempt to undertake, procure that another person undertakes or attempts to procure that another person undertakes any behaviour that is contrary to applicable law or regulation preventing market abuse.

15. **WHEN THE CLEARING HOUSE MAY FIX PRICES**

- 15.1 If the Quotations Committee fails at any time to determine or announce to the Clearing House a Closing Price or a Settlement Price in accordance with the Trading Regulations, the Clearing House may fix a Closing Price or Settlement Price as the case may require, of such amount as it may in its absolute discretion determine, and may apply the same in accordance with the Trading Regulations and the Clearing House Rules as if it had been determined by the Quotations Committee.
- 15.2 If the Exchange fails to fix an Invoicing Back price under Trading Regulation 10.4 or Trading Regulation 17.7, then the Closing Price (or, where bid and offered prices are fixed as the Closing Price, the mean of the two) or Settlement Price last fixed under these Trading Regulations (whichever was fixed the later) shall be the Invoicing Back price and such Invoicing Back price shall be deemed to have been fixed by the Exchange.
- 15.3 A Closing Price, or a Settlement Price or an Invoicing Back price fixed under Trading Regulation 15.1 or 15.2 above shall be binding on the parties to a Contract. No dispute as to such price may be referred to arbitration but, in the case of an Invoicing Back price, the completion of Invoicing Back shall be without prejudice to the right of either party to refer an issue between them to arbitration under the Rules.

16. **WHO MAY TRADE IN THE RING OR ON LME SELECT**

- 16.1 Every Category 1 Member shall nominate one or more Dealers to trade in the Ring on its behalf, and shall at all times be bound by the actions of such Dealer.
- 16.2 Names and particulars of proposed Dealers shall be submitted in writing to the Exchange which shall have the right to approve or refuse every such application after such consultation with the Ring Committee as it thinks fit.
- 16.3 A list of Dealers together with the names of the Category 1 Members whom they represent shall be posted in the Exchange together with names of any Dealers authorised since compilation of such list.
- 16.4.1 There shall be two categories of Dealer, viz Authorised Dealers and Probationary Dealers. Unless the express permission is obtained from the Executive no Probationary Dealer may trade in the Ring save under the supervision of an Authorised Dealer from the same Member as the Probationary Dealer who has been authorised for a period of not less than one year.

- 16.4.2 A Probationary Dealer cannot apply for full authorisation until he has dealt in the ring for a period of not less than six months.
- 16.4.3 If a Probationary Dealer has not gained full authorisation to deal after a period of eighteen months he will be re-registered as a Registered Clerk subject to the discretion of the Ring Committee.
- 16.5 Qualification requirements for Authorised and Probationary Dealers shall be as prescribed by the Exchange after consultation with the Ring Committee and shall be available on application to the Secretary.
- 16.6 The names of proposed Authorised and Probationary Dealers shall be posted in the Exchange not less than 10 Business Days before each application for authorisation is due for consideration by the Exchange, and during this period any Category 1 Member having any objection to the nominee may communicate the same to the Exchange stating the reasons therefor.
- 16.7 Any withdrawal of, or withdrawal of authority from, a nominated Dealer of a Category 1 Member shall likewise be communicated immediately to the Exchange, which shall forthwith advise all other Category 1 Members.
- 16.8 No more than one Authorised Dealer representing a Category 1 Member may trade in the Ring at any one time during official Ring trading sessions.
- 16.9 No person other than a Dealer or other representative of a Category 1 Member shall be admitted to the Ring or the area adjacent thereto for the purposes of or incidental to trading during Ring or kerb trading sessions unless expressly authorised by, or under the authority of, the Chief Executive.
- 16.10 Every LME Select Participant shall nominate one or more Dealers to trade on LME Select on its behalf, and at all times shall be bound by the actions of such Dealers.
- 16.11 The Exchange will grant each Dealer access to LME Select provided such Dealer has met all the requirements for LME Select access that are set out in the Rules.
- 16.12 Applications for Dealer authorisation to trade on LME Select shall be submitted by the relevant LME Select Participant, in writing, to the LME who shall have the right to approve or refuse every such application after such due diligence as it deems appropriate.
- 16.13 Any withdrawal of, or withdrawal of authority from, a nominated Dealer shall likewise be communicated immediately to the Exchange.

17. **EMERGENCIES**

- 17.1 In the event of the Special Committee or the Clearing House having cause to 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, the Special Committee after consultation with the Clearing House 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. Such directions to a Member may include, but are not limited to:-

- (a) trading out Client Contract positions with one or more particular Clients;

- (b) trading out Cleared Contract positions or positions otherwise related to Cleared Contracts; and
 - (c) reducing its net trading position.
- 17.2 Without prejudice to the generality of this Trading Regulation, such steps may include the suspension or curtailment of trading for such period or for such Prompt Dates in such metals or Contracts as may be specified or the direction that trading be limited to the liquidation of open Contracts and deferral of settlement of some or all Contracts with Prompt Dates in the current month or in the two succeeding months thereafter, subject to such compensation (if any) as the Special Committee may determine being paid to sellers or buyers.
- 17.3 Any decision of the Special Committee pursuant to this Trading Regulation shall be effective on the posting of an appropriate Notice in the Exchange and it shall thereafter be incumbent upon the Exchange to ensure that all steps are taken to ensure that normal trading is resumed with the least delay.
- 17.4 Any Member contravening or failing to comply with any direction or instruction issued under the provisions of Trading Regulations 17.1 to 17.3 above shall be liable to the same sanctions as if a breach of the Rules had been committed by him.
- 17.5 The Exchange may at its absolute discretion suspend or remove a Contract from trading, including where the Exchange has determined that the Contract no longer complies with the Rules or for any other reason.
- 17.6 Upon the occurrence of any event outside the Exchange which is outside the control of the Exchange, including the commencement of a state of war, revolution, political or economic disturbance or the enactment of legislation or the commencement, suspension or determination of any international agreement, such as may in the opinion of the Directors prevent free trading in any Contract or so distort the same or the price of any metal (including any Precious Metal), Monthly Average Future, Premium Contract, Warrant, Cash-Settled Future or Cash-Settled Future Index or the level of the Index as no longer to be truly representative of conditions in the international market in any metal, the Directors shall have the authority to order a complete cessation of trading in such metal, LMEmini Contract, Monthly Average Future, Premium Contract, Warrant, Cash-Settled Future, LMEprecious Future or Index Contract until such time as they in their absolute discretion deem it appropriate to resume, or to take any of the steps set out in Trading Regulations 17.1 to 17.3 above as they deem necessary at the time. The Directors shall not take such action as aforesaid without first consulting the Clearing House.
- 17.7 In the event that a cessation or suspension or limitation of trading in any metal, LMEmini Contract, Monthly Average Future, Premium Contract, Warrant, Cash-Settled Future, LMEprecious Future or Index Contract imposed by the Directors in accordance with Trading Regulations 17.1 to 17.3 or 17.5 above be such as to prevent delivery of the said metal (including any Precious Metal) or settlement of the said LMEmini Contract, Monthly Average Future, Premium Contract, Warrant, Cash-Settled Future, LMEprecious Future or Index Contract or to prevent the closing of an open position, any open Contracts so affected shall be closed by Invoicing Back to the seller at special settlement prices to be determined by the Directors on the date of announcement of cessation or suspension or limitation of trading.

17.8 Where for any reason the Directors determine that the use of LMEsword for delivery of Warrants is not practicable or appropriate in part or in whole, the Directors shall by Notice specify such other means of performing delivery of Warrants as they deem appropriate having first consulted with the Clearing House.

17.9 Notwithstanding anything set out in Trading Regulations 17.1 to 17.7 above:

- (a) neither the Directors nor the Special Committee shall be required to exercise their power to suspend or remove from trading any Contract which no longer complies with the Rules, where in their judgment such step would be likely to cause significant damage to the interests of investors or the orderly functioning of the financial markets; and
- (b) the Directors shall suspend or remove from trading a Contract when required to do so by the FCA.

17.10 The Exchange may notify the FCA of:

- (a) any Notice of the suspension or removal from trading of a Contract which no longer complies with the Rules or which is suspended or removed from trading; and
- (b) any lifting of a suspension or readmission to trading of a Contract that was previously suspended or removed from trading by the Exchange.

17.11 In the event that a Regulator intervenes to prohibit or restrict:

- (a) the marketing, distribution or sale of a specific financial instrument or a type of financial instrument with specific features; or
- (b) a type of financial activity or practice,

the Exchange may be required to halt trading activity, whether on a temporary or indefinite basis, in any Contract that is within the scope of the prohibition or restriction. Nothing set out in these Trading Regulations shall restrict the Exchange from complying with any such requirement.

18. **LENDING RULES**

18.1 Members shall comply with the Lending Rules and shall co-operate with the Exchange to ensure that each of their Clients shall comply with the Lending Rules.

18.2 Where the Exchange has reasonable cause to suspect that a Client has failed or is likely to fail to comply with the Lending Rules, the Exchange may give directions to one or more Members with whom that Client has Client Contracts to take action designed to make the same number of Lots available for borrowing in the market as would have been the case if the Client were prepared to abide by the Lending Rules. Such directions to a Member may include but are not limited to:-

- (a) lending or offering to lend, at no more than a level premium, the number of Cleared Contract positions equal to or less than the Client's long position holding of 90% or more as calculated by the Exchange in accordance with the Lending Rules; and/or

- (b) lending or offering to lend, at no more than a premium of 0.25% of the previous day's Cash price, the number of Cleared Contract positions equal to or less than the Client's long position holding of 80% or more but less than 90% as calculated by the Exchange in accordance with the Lending Rules; and/or
- (c) lending or offering to lend, at no more than a premium of 0.50% of the previous day's Cash price, the number of Cleared Contract positions equal to or less than the Client's long position holding of 50% or more but less than 80% as calculated by the Exchange in accordance with the Lending Rules; and/or
- (d) trading out of sufficient Client Contract positions with that Client to reduce that Member's (or, if two or more Members are directed, those Members') net exposure to that Client in line with the action taken in compliance with the directions under (a) to (c) above.

18.3 Compliance with the Lending Rules is subject to the power of the Special Committee to take steps or give directions under Trading Regulations 17.1 to 17.3 above. Without prejudice to the generality of Trading Regulations 17.1 to 17.3 above, such steps or directions may include suspending, amending or supplementing the Lending Rules for such period or in respect of such metals as the Special Committee in its absolute discretion deems necessary.

19. **LIABILITY**

Neither the Company nor any of its directors or other officers nor any of its employees nor any member of any committee shall, except in the case of fraud or wilful default, be under any liability whatsoever in contract, in tort (including but not limited to negligence), or under any other theory of law to any Member or other person in respect of the matters set out in Trading Regulations 19.1, 19.2 and 19.3 below:

- 19.1 Any act or omission taken or omitted to be taken pursuant to duties, powers and/or authorities contained in the Articles or the Rules including in relation to the following:-
- (a) the input of prices into the price reporting service or the setting and dissemination of Closing Prices, Settlement Prices or other prices pursuant to the Rules;
 - (b) the creation, calculation, publication or variation of the Index from time to time, including any variation to Weighting or of its Constituent Metals;
 - (c) the approval or listing of any warehouse or the maintenance of any such listing;
 - (d) the listing or delisting of any producer or brand of metal or the maintenance of any such listing;
 - (e) the collection of information and publication of reports in relation to levels of metal stocks represented by Warrants;
 - (f) the initiation or enforcement of disciplinary or emergency procedures or the exercise of any right to suspend access to any systems or facilities of the Exchange;
 - (g) any other events not set out in (a) to (f) above.

- 19.2 Any failure, malfunction, delay or other defect in or affecting any computer system, including LME Select, screens, equipment, telephones or other communications media or facilities used by the Exchange, its Members or others, whether at the Exchange or otherwise.
- 19.3 Any Agreed Trade that is input into the Matching System by a Registered Intermediating Broker and which is, for any reason, either (i) rejected; or (ii) not approved and/or Executed, including (but not limited to) any circumstance falling within Regulation 19.2 above.
20. **POSITION LIMITS**
- 20.1 Members shall comply with and shall co-operate with the Exchange to ensure that each of their Clients shall comply with the Position Limits and any directions issued by the Exchange in accordance with the requirements for such Position Limits as the Exchange may specify in Administrative Procedures or as the Exchange may otherwise notify Members from time to time.
- 20.2 Compliance with the Position Limits is subject to the power of the Special Committee to take steps or give directions under Trading Regulations 17.1 to 17.3 above. Without prejudice to the generality of Trading Regulations 17.1 to 17.3 above, such steps or directions may include suspending, amending or supplementing the Position Limits for such period or in respect of such metals as the Special Committee in its absolute discretion deems necessary.
- 20.3 With effect from 3 January 2018, Members shall provide a daily position report to the Exchange in accordance with the format required by the Exchange and other requirements as specified in the relevant Notice from time to time.
- 20.4 In accordance with their powers of position management under MiFID II, a Regulator may:
- (a) request information from a Member or a Client of the Member regarding the size or purpose of a position or exposure under a Contract;
 - (b) require the Member or Client to reduce the size of, or eliminate, its position or exposure under that Contract; and/or
 - (c) limit the ability of a Member or Client to enter into commodity derivatives,
- and any Member shall comply with any such requests, requirements, or limitations. To the extent that a Member is informed of any exercise of position management powers by a Regulator in relation to its Client, it shall procure that its Client complies with any such requests, requirements, or limitations.
- 20.5 If a Member becomes aware that it or its Client is the subject of a notice issued by ESMA in the exercise of its position management powers, the Member must alert the Exchange immediately. The Member shall co-operate with the Exchange to take such action as may be appropriate on the basis of the notice issued by ESMA, and which may require the Member to reduce the size of, or eliminate, a trading position.

21. **CONFORMANCE TESTING, ALGORITHMIC TRADING AND MARKET MAKING**

21.1 Prior to any deployment or substantial update of (a) LME Select or (b) a Member's trading system, trading algorithm, or trading strategy, each Member must carry out conformance testing, including the appropriate testing of algorithms, in accordance with the conditions established by Notice from time to time.

21.2 Members must flag orders generated by Algorithmic Trading to the Exchange, identifying:

- (a) the different algorithms used for the creation of orders; and
- (b) the persons initiating those orders,

such flagging of orders being made in accordance with the relevant requirements established by Notice.

21.3 Where any Member, or any Client of a Member engages in Algorithmic Trading, to pursue a Market Making Strategy:

- (a) the Member shall provide, and shall ensure that any such Client provides, market making continuously during the opening hours of the Exchange, with the result of providing liquidity on a regular and predictable basis;
- (b) the Member shall, and shall procure that any such Client shall, enter into a market making agreement with the Exchange where required to do so by Regulation 21.4 regarding its obligations in (a) in relation to the Contracts in which it or, where appropriate, its Client, pursues a Market Making Strategy;
- (c) the Member must have in place, and ensure that any such Client has in place, the systems and controls required to ensure it performs its obligations under the market making agreement specified in (b); and
- (d) the Member shall comply with any additional requirements that the Exchange may specify by Administrative Procedure.

21.4 A Member shall, and shall procure that a Client shall, enter into a market making agreement with the Exchange:

- (a) if it or such Client, during half of the trading days over a one-month period, in execution of such Market Making Strategy:
 - (1) posts Firm Quotes that are simultaneous two-way quotes of comparable size and competitive prices; and
 - (2) Deals On Own Account in at least one Contract on the Exchange for at least 50 per cent of the daily trading hours of continuous trading at the Exchange, or
- (b) where otherwise required to do so pursuant to MiFID II or any law or regulations made pursuant thereto.

21.5 For the purposes of Regulation 21.4:

- (a) Firm Quotes shall be deemed to be simultaneous two-way quotes if they are posted in such a way that both the bid and the ask-price are present in the order book at the same time;
- (b) two Firm Quotes shall be deemed of comparable size when their sizes do not diverge by more than 50 per cent from each other; and
- (c) Firm Quotes shall be deemed to have competitive prices where they are posted within the maximum bid-ask range for the relevant Contract, as specified by the Exchange from time to time by Notice.

21.6 A Member shall not be required to comply with Regulation 21.3(a) if it or, where appropriate, its Client, is unable to provide liquidity on a regular and predictable basis due to the exceptional circumstances listed in Article 3 of Commission Delegated Regulation (EU) 2017/578.

21.7 Where a Member considers that it or, where appropriate, its Client, is unable to comply with its obligation to provide liquidity on a regular and predictable basis due to the exceptional circumstances specified in Article 3(d) of Commission Delegated Regulation (EU) 2017/578 (circumstances preventing prudent risk management practices), it must provide to the Exchange, upon request, evidence satisfactory to the Exchange of such circumstances and how the condition in Article 3(d) is satisfied.

21.8 In order to assist Members to identify such exceptional circumstances, the Exchange will endeavour to determine in its absolute discretion and make public the occurrence of exceptional circumstances falling within Article 3(a), (b), (c), or (e) of Commission Delegated Regulation (EU) 2017/578. In the event of such an occurrence, the Exchange may issue a Notice to Members. The Exchange shall not extend the declaration of such exceptional circumstance beyond the close of the opening hours of the relevant Execution Venue on the Business Day on which the exceptional circumstance(s) occurred unless, in the determination of the Exchange, this is necessary in the circumstances set out in Article 3(b), (c) or (e) of Commission Delegated Regulation (EU) 2017/578.

21.9 Following the ending of any such exceptional circumstances, the Exchange may announce the resumption of normal trading in accordance with its standard procedures.

21.10 This Trading Regulation 21 shall apply with effect from 3 January 2018.

22. **ORDER CANCELLATION AND CONTROLS**

22.1 The Exchange may temporarily halt or constrain trading in accordance with the relevant procedures established by Notice if there is a significant price movement during a short period in a financial instrument on the Exchange or a related trading venue (as such term is defined in Article 4(1)(24) of the MiFID II Directive). Where the Exchange considers it appropriate, the Exchange may cancel, vary or correct any Agreed Trade or Contract.

23. **TRANSACTION REPORTING**

23.1 The Exchange is required to report to the FCA details of transactions in financial instruments traded on its platform which are executed through its systems by a firm that is not subject to MiFID II. Members shall confirm to the Exchange if they are writing Client Contracts for Clients that are not firms subject to MiFID II and provide details of all Agreed Trades and Contracts in respect of such Clients at the time of submission of the details of the Agreed Trade into the Matching System in accordance with the timescales set out in Trading Regulation 3.5.

23.2 Any Member that is not a firm subject to MiFID II shall:

- (a) provide the Exchange with a validated, issued and duly renewed ISO 17442 legal entity identifier code; and
- (b) obtain from each of its Clients that is not a firm subject to MiFID II a validated, issued and duly renewed ISO 17442 legal entity identifier code, which the Member shall provide to the Exchange.

23.3 It shall be the responsibility of such a Member to ensure that the reference data related to its legal entity identifier is renewed in accordance with the terms of any of the accredited local operating units of the Global Legal Entity Identifier System, and also to ensure that each of its Clients renews such data.

This Trading Regulation 23 shall apply with effect from 3 January 2018.