

PART 9
DEFAULT REGULATIONS

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PART 9: DEFAULT REGULATIONS

1 EVENTS OF DEFAULT

The expression "Event of Default" in relation to any person shall mean:-

- 1.1 failure by that person duly to perform or comply with any obligation to make payment or deliver Warrants under the terms of a Contract;
- 1.2 failure by that person to satisfy any margin liability in respect of a Contract or to comply with any other obligation binding on him under a Contract,
- 1.3 that person
 - (a) being (or being, or being capable of being, deemed by law or a court to be) insolvent or unable to pay his debts,
 - (b) stopping, suspending or threatening to stop or suspend payment of all or a material part of his debts,
 - (c) beginning negotiations or taking any other step with a view to the deferral, rescheduling or other readjustment of all of (or all of a particular type of) his debts (or of any part which he will or might otherwise be unable to pay when due),
 - (d) proposing or making a general assignment, or an arrangement or composition with or for the benefit of the relevant creditors,
 - (e) suffering a moratorium to be agreed or declared in respect of or affecting all or a material part of (or of a particular type of) his debts or
 - (f) taking any step, or any step being taken by any other person, with a view to the administration of the first-mentioned person;
- 1.4 an execution, distress, sequestration, attachment or other legal process being levied or enforced or sued out against any substantial part of that person's revenues or assets and not being discharged or stayed within seven days of being so levied, enforced or sued out or any security over any such substantial part becoming enforceable and any step (including the appointment of a receiver, administrative receiver, manager or similar person) being taken to enforce the same;
- 1.5 any step being taken (either by that person or by any other person) with a view to the winding-up or dissolution of that person except for the purpose of and followed by a reconstruction, amalgamation, merger, reorganisation or consolidation on terms previously approved by the Exchange;
- 1.6 that person, being a Member, failing to satisfy the Exchange or any relevant designated agency or self-regulating organisation at any time that he meets any minimum net worth or other financial requirement for membership or continued authorisation from time to time stipulated by the Exchange or any such designated agency or self-regulating organisation; or
- 1.7 that person, being a Member or Designated Non-Member, becoming or being declared in default under the default rules of any recognised investment exchange or recognised clearing-house (as those expressions are defined in section 188 and section 190 of the Companies Act 1989).

2 APPLICATION OF DEFAULT REGULATIONS AND DETERMINATION OF DEFAULT

- 2.1 These Default Regulations apply in relation to Exchange Contracts of a Defaulter (subject as provided in Regulation 3.4) and to Client Contracts of a Defaulter and shall not apply to any other contracts nor shall they apply to any default by any Associate Trade Member, Individual Member or Honorary Member or by any non-Member other than a Designated Non-Member unless, in the making of Contracts, they are for the time being subject to the Rules.
- 2.2 If a Ring Dealing Member, Associate Broker Member or Designated Non-Member appears to the Exchange to be unable or to be likely to become unable to meet his obligations in respect of one or more Contracts or, without prejudice to the generality of the foregoing, upon the occurrence of an Event of Default in relation to a Ring Dealing Member, an Associate Broker Member or Designated Non-Member, or at any time thereafter whilst such Event of Default is continuing, the Exchange may in its absolute discretion determine that the Member or Designated Non-Member is a Defaulter, whereupon the provisions of Regulation 3 shall have effect.

3 DEFAULT PROCEEDINGS

- 3.1 The Exchange shall promptly following a determination that a Member or Designated Non-Member is a Defaulter take any one or more of the steps referred to in Regulation 3.3 as it considers appropriate.
- 3.2 If the Exchange is directed by the Treasury pursuant to the provisions of Section 166 Companies Act 1989 to take action under this part of the Rules in relation to a Member or Designated Non-Member, any action which the Exchange may take pursuant to such direction shall be deemed to be action taken by the Exchange pursuant to this Regulation 3 notwithstanding that the Exchange may not have determined pursuant to Regulation 2 that the Member or Designated Non-Member is a Defaulter.
- 3.3 The steps referred to in Rule 3.1 are:-
- 3.3.1 to direct any or all Unsettled Contracts to which the Defaulter is party as principal, which are In The Money Traded Option Contracts and to which the Defaulter is party as Taker, to be exercised by the Defaulter on a day such exercise may occur under the terms of the relevant Contract, whereupon such exercise shall be deemed to occur on the next available such day and the rights and liabilities of the parties to each futures Contract resulting from the exercise of a Metal Option or Traded Average Price Option shall be discharged as provided in Regulation 3.3.4 on that day;
- 3.3.2 to permit any or all Unsettled Contracts to which the Defaulter is party as principal which are In The Money Traded Option Contracts and to which the Defaulter is party as Granter, to be exercised by the relevant Takers within such period or periods as may be specified by the Exchange and to declare that all such rights of exercise shall thereafter lapse. The rights and liabilities of the parties to each futures Contract resulting from any such permitted exercise of a Metal Option or Traded Average Price Option shall be discharged as provided in Regulation 3.3.4 on the date of such exercise;
- 3.3.3 to direct that any Unsettled Contract to which the Defaulter is party as principal whose Prompt Date is on, or on the Business Day after, the date of publication of the Default Notice is, with the consent of any Relevant Office Holder, discharged by performance either in whole or in part;

- 3.3.4 subject as provided and after taking any action specified, in 3.3.1 to 3.3.3 above, to declare that all rights and liabilities of the parties to each Unsettled Contract to which the Defaulter is party as principal shall be discharged whereupon they shall be so discharged and there shall arise in their place an obligation of the Defaulter to pay to the Counterparty or *vice versa* the appropriate Default Settlement Amount provided that such discharge shall not extend to rights and liabilities for or in respect of margin which has been paid to the Defaulter by any Counterparty or *vice versa* nor to rights and liabilities arising out of a failure to perform a Contract in accordance with its terms;
- 3.3.5 to direct that any Unsettled Contract to which the Defaulter was party as agent (notwithstanding the prohibition thereon in the Rules) be discharged by performance in accordance with its terms by those persons party to it as principals and for this purpose to make such directions as the Exchange may consider necessary or expedient.
- 3.4.1 Subject to Regulation 3.4.2, all unsettled Exchange Contracts to which a Defaulter is party which have at the time of the relevant determination pursuant to Regulation 2.2 been registered or are thereafter registered with the Clearing House under the terms of the General Regulations of the Clearing House shall be dealt with in accordance with the General Regulations (including default rules) of the Clearing House and not in accordance with these Default Regulations.
- 3.4.2 In the event that the Clearing House is unable to meet its obligations in respect of one or more unsettled Exchange Contracts in accordance with the General Regulations of the Clearing House, such unsettled Exchange Contracts shall be subject to these Default Rules as if Regulation 3.4.1 did not apply.
- 3.5 The Default Settlement Amount in respect of each Unsettled Contract in respect of which the rights and liabilities of the parties are discharged pursuant to Regulation 3.3.4 shall be an amount determined by the Exchange in its absolute discretion taking into account market conditions and any compensation that the Exchange considers should be paid by or to the Defaulter, but without prejudice to the generality of the foregoing may be the difference (if any) between the value of the Unsettled Contract at the contract price (or premium) and its value at the Default Settlement Price provided that if, pursuant to the terms of the relevant Contract or any other agreement between the parties, the said rights and liabilities have become or been converted into an obligation to pay, and a corresponding right to receive, a single liquidated sum the Exchange may treat that sum as the Settlement Amount.
- 3.6 For each Unsettled Contract in respect of which action is taken under Regulation 3.3 the determination of the Default Settlement Amount by the Exchange shall be final, conclusive and binding upon the Defaulter and each Counterparty.
- 3.7 The Exchange shall draw up an account between the Defaulter and each Counterparty to a Contract settled under these Default Regulations. Each such account shall include the Default Settlement Amounts calculated in respect of each Unsettled Contract, which amounts shall be credited or debited, as appropriate, to the relevant account. Where, for any reason, there is uncertainty or a dispute as to the existence and/or terms of a Contract or it is not practicable to determine the Default Settlement Amount in respect of any Contract that fact or those facts shall be stated by way of note to the account and/or its certification as provided below. On each account, all credits and debits shall be aggregated and the aggregated amount of such credits and debits shall be set-off against each other, so as to produce a nett sum payable by or to the Defaulter on each account. The nett sum payable, or, where relevant, the fact that no sum is payable shall be certified by or on behalf of the Exchange provided that where the account and/or such certification is qualified by reason of uncertainty or a dispute as to the existence and/or terms of any Contract or as to the Default Settlement

Amount in relation to any Contract the nett sum shall not be payable until those uncertainties are resolved unless the Defaulter or Relevant Office Holder and the Counterparty otherwise agree.

- 3.8 Where it appears to the Exchange that the Defaulter has entered into Contracts as trustee, a separate account or accounts shall be taken of Unsettled Contracts entered into as trustee in respect of each relevant trust or trusts as appropriate.
- 3.9 Where it appears to the Exchange that Unsettled Contracts with a Counterparty of the Defaulter include a Contract or Contracts entered into by the Counterparty in relation to that Counterparty's Segregated Customers and/or include a Contract or Contracts entered into by the Defaulter in relation to the Defaulter's Segregated Customers a separate account or separate accounts shall be drawn up in relation to that Contract or those Contracts.
- 3.10 The Exchange shall be entitled in its discretion, without notice to the Defaulter or a Counterparty, to make any currency conversions which the Exchange considers necessary or desirable for the purposes of these Default Regulations at such rate or rates as the Exchange may reasonably determine.
- 3.11 Where the Defaulter is incorporated outside the United Kingdom and the Exchange determines that rights and liabilities under Unsettled Contracts to which the Defaulter is party are likely to be settled under the law of some place outside the United Kingdom it may elect not to draw up the account or accounts referred to in this Regulation.

4 NOTIFICATION

- 4.1 Promptly following a determination by the Exchange that a Member or Designated Non-Member is a Defaulter, the Exchange shall cause notice of such determination to be posted in the Exchange and shall thereafter as soon as reasonably practicable take such steps as it considers appropriate to notify Counterparties to Unsettled Contracts with the Defaulter (and, where the Defaulter has, notwithstanding the prohibition thereon, contracted as agent, the Defaulter's principal) and such other persons as it thinks fit that the Defaulter has been determined by the Exchange to be a Defaulter and of decisions taken under these Regulations which affect them.
- 4.2 A Member and a Designated Non-Member shall forthwith give notice to the Exchange of the occurrence of any Event of Default in relation to it.

5 PROCEDURES

- 5.1 For the purposes of complying with its obligations under the Default Regulations the Exchange shall have the right at all times following the issue of a Default Notice through its employees and agents to enter any premises belonging to or in the occupation of the Defaulter, to examine and take copies of or extracts from the trading, accounting and other records of the Defaulter and to operate any accounting or computer systems of the Defaulter for the purposes of establishing the names and addresses of all Counterparties of the Defaulter, details of all Unsettled Contracts of the Defaulter, details of Warrants held by the Defaulter for the account of Counterparties, details of money and other property held for the account of Counterparties and such other information as may appear to the Exchange to be necessary or expedient.
- 5.2 The Defaulter, all Members and the Clearing House shall cooperate fully with the Exchange in relation to the provisions of the Default Regulations and in particular shall promptly provide such information as the Exchange or its employees or agents may request in relation to the Defaulter and its Contracts.

- 5.3 As soon as practicable following the issue of a Default Notice the Exchange shall, in addition to contacting all known Counterparties, publish a notice in the Exchange and in the press inviting Counterparties of the Defaulter to submit to the Exchange details of their Unsettled Contracts with the Defaulter together with evidence in support thereof.
- 5.4 The Exchange shall not be obliged to draw up any account in relation to any Counterparty or alleged Counterparty of which it does not have actual notice prior to the date specified for that purpose in the notice referred to in Regulation 5.3 which shall be not less than three months after the date of publication thereof.
- 5.5 If any dispute between a Defaulter and a Counterparty as to the existence or terms of any Unsettled Contract comes to the notice of the Exchange it shall cause notice of that dispute to be included in the account to be drawn up by it pursuant to Regulation 4 in relation to that Counterparty and may otherwise omit from such account any Default Settlement Amount in relation to the disputed Contract or Contracts and shall not be obliged to adjudicate in respect of such dispute in any way.
- 5.6 Subject as provided in Section 157 Companies Act 1989 the Exchange may from time to time prescribe further procedures for the purposes of these Default Regulations and provide for the manner in which its powers and obligations thereunder or in relation thereto shall be exercised or discharged.

6 DESIGNATION OF NON-MEMBERS

- 6.1 Unless and until otherwise determined by the Exchange any former Ring Dealing or Associate Broker Member shall during the period of 28 months following the date upon which it ceased to be a Member be a Designated Non-Member.
- 6.2 Designation of a Designated Non-Member shall be reviewed from time to time by the Exchange and shall be withdrawn no later than the last Prompt Date of Unsettled Contracts to which it is a party. The Exchange shall likewise review from time to time whether the persons described in Regulation 6.1 should continue to be designated as Designated Non-Members.
- 6.3 A Designated Non-Member shall be notified by the Exchange of its designation and of the withdrawal of such designation.

7 DELEGATION OF FUNCTIONS

The Exchange may from time to time appoint one or more persons to perform on its behalf any of the functions which it may or may be required to exercise under these Default Regulations.

8 COSTS

A Defaulter shall be liable to indemnify the Exchange in respect of the Exchange's costs, charges and expenses in taking any action under the Default Regulations in relation to the Defaulter, including the costs of any person appointed to perform functions on behalf of the Exchange pursuant to Regulation 7.

9 COOPERATION WITH OTHER BODIES

Without prejudice to any other provisions of the Rules the Exchange may pass on any details of or other information in its possession relating to a Member or Designated Non-Member or its Contracts or a recognised clearing house or another recognised investment exchange to the

Treasury, to the Secretary of State, any Relevant Office Holder, any recognised investment exchange or recognised clearing house or regulatory body, to any other exchange or clearing house approved under the Companies Act 1989 for the purposes of Part VII of that Act, or to any other authority or body having responsibility for any matter arising out of or connected with the default the relevant Member or Designated Non-Member or the default of a recognised clearing house or another recognised investment exchange.

PART 1
DEFINITIONS AND GENERAL RULES

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PART 1: DEFINITIONS AND GENERAL RULES

1 DEFINITIONS

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

"Account Holder"	the Clearing House and any person admitted as an Account Holder by the Exchange, and which has not withdrawn or ceased to be an Account Holder, under Regulation 2 of the LMEsword Regulations;
"Administrative Procedure"	a notice sent to such class or classes of Member to whom they apply, containing a procedure for implementing the Rules or any part thereof. In the case of LME Select this may also be posted on the market messages screen;
"Appeal Committee"	a committee appointed pursuant to Regulation 11 of the Membership Regulations;
"Arbitration Regulations"	the regulations set out in Part 8 of the Rules;
"Articles"	the Articles of Association for the time being of the Company;
"Associate Broker Member"	an Associate Broker Clearing Member or an Associate Broker Non-Clearing Member;
"Associate Broker Clearing Member"	an Associate Clearing Member who carries on and who is authorised pursuant to the FSMA to carry on Investment Business of the classes carried on in the Exchange;
"Associate Broker Non-Clearing Member"	an Associate Non-Clearing Member who carries on and who is authorised pursuant to the FSMA to carry on Investment Business of the classes carried on in the Exchange;
"Associate Clearing Member"	a Member for the time being authorised by the Directors to clear Exchange Contracts but not to trade in the Ring;
"Associate Member"	a Member who is neither a Ring Dealing Member nor an Individual Member;
"Associate Non-Clearing Member"	an Associate Member who is not an Associate Clearing Member;
"Associate Trade Member"	an Associate Trade Clearing Member or an Associate Trade Non-Clearing Member;
"Associate Trade Clearing Member"	an Associate Clearing Member other than an Associate Broker Clearing Member;

"Associate Trade Non-Clearing Member"	an Associate Non-Clearing Member other than an Associate Broker Non-Clearing Member;
"Average Price Call Option"	a Traded Average Price Option pursuant to which the Granter gives the Taker the right to buy from the Granter;
"Average Price Put Option"	a Traded Average Price Option pursuant to which the Granter gives the Taker the right to sell to the Granter;
"Average Price Swap"	a cash-settled Exchange-traded contract pursuant to which the buyer and seller agree to pay or to receive in cash the difference between (i) the Monthly Average Settlement Price for a specified metal and for a specified tradeable month and (ii) the fixed price agreed between the buyer and the seller in the Contract, multiplied by the Contract size, settled on the Prompt Date and subject to daily marking to market in accordance with the General Regulations of the Clearing House and conforming to the other specifications prescribed by the Exchange;
"Average Price Swap Regulations"	the Regulations set out in Part 11 of the Rules;
"Banking Consolidation Directive"	Directive 2000/12/EC of the European Parliament and of the Council of 20 March 2000 relating to the taking up and pursuit of the business of credit institutions, as from time to time amended;
"Business Day"	any day except Saturday, Sunday or any public or bank holiday in England or a day during which trade on the Exchange has been suspended by or under the authority of any enactment or a day which the Directors declare not to be a Business Day;
"Call Option"	an Option Contract pursuant to which the Granter gives the Taker the right to buy from the Granter or, in the case of an Index Option, a notional right to buy, to be cash settled;
"a Candidate"	a candidate for membership of the Exchange;
"Carry"	(a) in respect of a Metal Future or LMEmini Future for the purchase or sale of a specific number of Lots for one Prompt Date coupled with one or more Futures Contracts of the same type for the sale or, as the case may be, purchase comprising in aggregate the same number of Lots between the same parties for a more distant Prompt Date or Prompt Dates; or

	(b) in respect of an Average Price Swap, an Average Price Swap 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 Average Price Swap 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;
"Cash Today"	in relation to Contracts entered into in the period between 19.31 hours on one Business Day and 12.30 hours on the next Business Day, the first Settlement Business Day after the latter Business Day;
"Chief Executive"	includes the Deputy Chief Executive and any other person for the time being appointed to perform the duties of Chief Executive of the Company;
"Claimant"	the person commencing an arbitration by serving a Notice to Arbitrate;
"the Clearing House"	LCH.Clearnet Limited or other clearing-house for the time being designated to clear Exchange Contracts;
"Clearing Member"	a Ring Dealing Member or Associate Clearing Member of the Exchange who is also a member of the Clearing House;
"Client"	a person who is not a Ring Dealing Member, Associate Broker Clearing Member or Associate Broker Member;
"Client Average Price Swap Contract"	a Client Contract which is an Average Price Swap Contract;
"Client Contract"	a Contract between a Clearing Member and any person other than another Clearing Member or a Contract between a Member who is not a Clearing Member and any other person;
"Client Index Contract"	a Client Contract which is an Index Contract;
"Client Index Future"	a Client Contract which is an Index Future;
"Client Index Option"	a Client Contract which is an Index Option;
"Client LMEmini Future"	a Client Contract which is an LMEmini Future;

"Client Metal Contract"	a Client Contract which is a Metal Contract;
"Client Option Contract"	a Client Contract which is an Option Contract;
"Client Traded Average Price Option"	a Traded Average Price Option where either Granter or Taker or each of them is not a Clearing Member;
"Close of Pleadings"	the end of a period of 28 days after the time for submission of the points of reply, unless otherwise ordered by the Tribunal;
"Closing Prices"	the prices determined for margining purposes on each Business Day by the Quotations Committee in accordance with Regulation 6.1 of the Trading Regulations or by the Clearing House in accordance with Regulation 12 of the Trading Regulations;
"the Company"	The London Metal Exchange Limited;
"Constituent Metals"	the metals underlying the Index, being copper, lead, nickel, primary aluminium, tin and zinc;
"Contract"	<p>(a) a contract for the purchase and sale of one or more Lots of a metal for the time being dealt in on the Exchange in respect of which:</p> <ol style="list-style-type: none"> (1) either the buyer or the seller or each of them is a Ring Dealing Member or an Associate Broker Member; and (2) the delivery date is a Prompt Date for the time being permitted by the Rules; and (3) the price is expressed in a currency for the time being permitted by the Rules; and (4) the quality and other characteristics of the metal concerned are expressly or impliedly to be as prescribed by the Exchange; or <p>(b) a Metal Option or Traded Average Price Option which has the characteristics prescribed by or pursuant to the Metal Options Regulations or, as the case may be, the Traded Average Price Options Regulations to enter into a contract falling within (a) above; or</p> <p>(c) an Index Future or an Index Option which has the characteristics prescribed by the Rules and, as the case may be, the Index Option Regulations; or</p>

	(d) an LMEmini Contract which has the characteristics prescribed by the Rules; or
	(e) an Average Price Swap which has the characteristics prescribed by the Rules;
	but
	(f) shall not include any contract which, by virtue of provisions agreed between the parties at or before the time they enter into the contract as to delivery or otherwise, is clearly intended to be performed otherwise than as prescribed by the Rules;
"Contract Regulations"	the Regulations set out in Part 4 of the Rules
"Counterparty"	in relation to a party to a Contract, the other party to the same Contract;
"Counter Notice"	a notice served by the Respondent pursuant to Regulation 2.4 of Part 8 of the Rules;
"Dealer"	a person duly authorised to trade on behalf of a Ring Dealing Member or in respect of LME Select, a person permitted to deal on LME Select on behalf of an LME Select Participant;
"Declaration Day"	in relation to a Traded Average Price Option for a particular month, the last Business Day in that month;
"Defaulter"	a person whom the Exchange has determined, in accordance with Regulation 2 of the Default Regulations, to be a defaulter;
"Default Notice"	notice of a determination by the Exchange issued pursuant to Regulation 4.1 of the Default Regulations;
"Default Regulations"	the Regulations contained in Part 9 of the Regulations;
"Default Settlement Amount"	the amount payable by one party to the other in respect of an Unsettled Contract to which a Defaulter is a party which is settled under or pursuant to the Default Regulations;
"Default Settlement Price"	(a) in relation to a Metal Future or an LMEmini Future, the Settlement Price or Unofficial Closing Price for the relevant metal and Prompt Date published next after the time of issue of the Default Notice (determined where necessary by reference to the Settlement Price or Unofficial Closing Price so published for other Prompt Dates); or

- (b) in relation to an Index Future, the Index Futures Closing Price for the Prompt Date published next after the time of issue of the Default Notice (determined where necessary by reference to the Index Futures Closing Price so published for other Prompt Dates); or
- (c) in relation to a Metal Option which is not, and is not deemed to be, exercised pursuant to the Default Regulations, the value of such Option determined, pursuant to Regulation 6.2 of the Metals Options Regulations next after the time of issue of the Default Notice; or
- (d) in relation to a Traded Average Price Option Contract which is not, and is not deemed to be, exercised pursuant to the Default Regulations, the value of such Option Contract determined, pursuant to Regulation 12.3 of the Traded Average Price Options Regulations next after the time of issue of the Default Notice; or
- (e) in relation to an Index Option which is not, and is not deemed to be, exercised pursuant to the Default Regulations, the value of such Option determined pursuant to Regulation 18.2 of the Index Options Regulations next after the time of issue of the Default Notice; or
- (f) in relation to an Average Price Swap Contract, the difference between the Monthly Average Settlement Price for the relevant tradeable month for the relevant underlying metal as published after the time of issue of the Default Notice, and the fixed price agreed between the buyer and the seller in the Contract multiplied by the Contract size; or
- (g) such other price or prices as the Exchange may, in its absolute discretion, determine;

"Delivery Point"

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

"Deposit"

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

"Designated Non-Member"

a person (other than a Member) designated from time to time by the Exchange as a person in respect of whom action may be taken under the Default Regulations or a person (other than a Member) falling within a description of persons so designated;

"the Directors"	the Board of Directors of the Company;
"Disciplinary Committee"	a committee appointed pursuant to Regulation 11 of the Membership Regulations;
"Enforcement Committee"	shall comprise five members chosen from the Board of Directors of the LME, appointed by the Executive Director: Regulation and Compliance in consultation with the Chairman. The quorum for the Enforcement Committee shall be three members. The Enforcement Committee shall not be quorate unless there is at least one independent Director present;
"Event of Default"	any of the events set out in Regulation 1 of the Default Regulations;
"the Exchange"	according to context, the London Metal Exchange administered by the Company, or the premises where Ring trading is conducted;
"Exchange Contract"	each of: <ul style="list-style-type: none"> (a) a Contract made between two Clearing Members, and, (b) following registration with the Clearing House, the Contract or Contracts which may result from the process of novation in accordance with the General Regulations of the Clearing House;
"Exchange Average Price Swap Contract"	an Exchange Contract which is an Average Price Swap Contract;
"Exchange Index Contract"	an Exchange Contract which is an Index Contract;
"Exchange Index Future"	an Exchange Contract which is an Index Future;
"Exchange Index Option"	an Exchange Contract which is an Index Option;
"Exchange LMEmini Future"	an Exchange Contract which is an LMEmini Future;
"Exchange Metal Contract"	an Exchange Contract which is a Metal Contract;
"Exchange Metal Future"	an Exchange Contract which is a Metal Future;
"Exchange Metal Option"	an Exchange Contract which is a Metal Option;
"Exchange Option Contract"	an Exchange Contract which is an Option;
"Exchange Traded Average Price Option"	a Traded Average Price Option where both Granter and Taker are Clearing Members;
"Executive Director: Regulation and Compliance"	the Executive Director: Regulation and Compliance and any other person within the Regulation and Compliance division of the Exchange for the time being appointed to perform the duties of the Executive Director: Regulation and Compliance;

"FSA"	The Financial Services Authority;
"Futures Contract"	a Metal Future, LMEmini Future or Index Future;
"FSMA"	Financial Services and Markets Act 2000, as from time to time amended;
"General Regulations of the Clearing House"	the General Regulations of the Clearing House, as for the time being in force in relation to the Exchange, and the procedures of the Clearing House with respect thereto;
"Granter"	the seller of an Option or Traded Average Price Option;
"In The Money"	<p>(a) in relation to a Metal Option, that the Strike Price is, in the case of a Put Option, above or, in the case of a Call Option, below the last published Settlement Price at the relevant time for the relevant metal and Prompt Date; or</p> <p>(b) in relation to a Traded Average Price Option, that the Strike Price is, in the case of an Average Price Put Option, above or, in the case of an Average Price Call Option, below the last published Moving Monthly Average Settlement Price or Monthly Average Settlement Price at the relevant time for the relevant metal and Prompt Date; or</p> <p>(c) in relation to an Index Option, that the Strike Price is, in the case of a Put Option, above or, in the case of a Call Option, below the Settlement Price or last published Closing Price at the relevant time for the relevant Index Option and Prompt Date;</p>
"Index"	an index denominated in US dollars the level of which is determined in accordance with the Special Contract Rules for the Construction of the Index;
"Index Contract"	an Index Future or an Index Option;
"Index Future"	a cash-settled Exchange-traded futures contract pursuant to which the buyer and seller agree to pay or receive in cash the difference between the level of the Index on the Prompt Date and the level agreed in the Contract, multiplied by the Contract size, settled on the Settlement Business Day next following the Prompt Date and subject to daily marking to market in accordance with the General Regulations of the Clearing House and conforming to the other specifications prescribed by the Exchange;
"Index Futures Closing Price"	the Closing Price of an Index Future as determined in accordance with Regulation 6 of the Trading Regulations;

"Index Option"	a cash-settled Exchange-traded option contract over the Index pursuant to which the Granter grants the Taker a right to receive in cash from the Granter the difference between the level of the Index on the Prompt Date and the Strike Price, multiplied by the Contract size, settled on the Settlement Business Day next following the Prompt Date and conforming to the other specifications prescribed by the Exchange;
"Index Option Regulations"	the Regulations set out in Part 5C of the Rules;
"Individual Member"	a Member who is not an Undertaking or a member of an Undertaking;
"Initial Margin"	<ul style="list-style-type: none"> (a) in relation to an Exchange Contract, the sum of money fixed by the Clearing House in consultation with the Exchange and in respect of which Members may be required to provide to the Clearing House cover in accordance with the General Regulations of the Clearing House; (b) in relation to a Client Contract, such sum as may be agreed between the parties provided that such sum is equal to or greater than the amount in (a) above;
"Investment and Investment Business"	the same meaning as set out in the FSMA and The Regulated Activities Order 2001;
"Invoicing Back"	the procedure so described in the General Regulations of the Clearing House;
"Last Declaration Day"	<ul style="list-style-type: none"> (a) in relation to a Metal Option for a particular month, the first Wednesday in that month or, if that is not a Business Day, the next day which is a Business Day; (b) in relation to an Index Option for a particular month, up to 16.35 hours on the second Wednesday in that month or, if that is not a Business Day, the next day which is a Business Day;
"Last Trading Day"	<ul style="list-style-type: none"> (a) in relation to a Metal Option, the Business Day preceding the Last Declaration Day for that Option; (b) in relation to a Traded Average Price Option, the Business Day preceding the Declaration Day of the relevant month for that Traded Average Price Option; (c) in relation to an Index Option, the Last Declaration Day for that Index Option;

	(d) in relation to an LMEmini Future, the Business Day which is two Business Days before the Prompt Date; or
	(e) in relation to an Average Price Swap, the last Business Day of the relevant tradeable month;
"Lending Guidance"	paragraph 13.24 of Market Aberrations: The Way Forward, published by the Exchange in October 1998, setting out the behaviour required of the holders of dominant long positions in the Exchange's markets, including any clarification or explanation of that behaviour issued by the Exchange from time to time;
"LMEmini Last Trading Time"	the last trading time on the Last Trading Day for LMEmini Contracts as specified in the Special Contract Rules for LMEmini Contracts or as otherwise prescribed by the Exchange from time to time;
"LME Holdings"	LME Holdings Limited, a company registered in England and Wales under company number 4081219 with a registered office at 56 Leadenhall Street, London, EC3A 2DX, being the sole member of the Company;
"LMEmini Contract"	an LMEmini Future;
"LMEmini Future"	a cash-settled Exchange-traded futures contract pursuant to which the buyer and seller agree to pay or to receive in cash the difference between the Settlement Price of the underlying metal on the Prompt Date and the price of the underlying metal agreed in the Contract, multiplied by the Contract size, settled on the Prompt Date and subject to daily marking to market in accordance with the General Regulations of the Clearing House and conforming to the other specifications prescribed by the Exchange;
"LMEmini Futures Closing Price"	the Closing Price of the relevant underlying Metal Future as determined in accordance with Regulation 6 of the Trading Regulations;
"LME Select"	a system provided by the Exchange to enable the electronic trading of Exchange Contracts by LME Select Participants in accordance with the Rules and the LME Select Operating Procedures;
"LME Select Operating Procedures"	the regulations governing the operation of LME Select issued by the Exchange as amended from time to time in accordance with the terms thereof and forming part of Part 3 of the Rules;
"LME Select Participant"	Ring Dealing Member or Associate Broker Clearing Member who is permitted to use LME Select;

" LMEsword "	the system for, inter alia, the electronic transfer of title to Warrants governed and constituted by the LMEsword Regulations;
" LMEsword Regulations"	the regulations governing the operation of LMEsword issued by the Exchange as amended from time to time in accordance with the terms thereof and forming Part 10 of the Rules;
"Lot"	<ul style="list-style-type: none"> (a) in relation to a metal, the standard unit of quantity thereof, specified in the Special Rules of Contract for that metal, by reference to which settlement is to be made; or (b) in relation to the Index, the standard value per point movement for that Index, specified in the Special Contract Rules for the Construction of the Index, by reference to which settlement is made; or (c) in relation to an LMEmini Contract, the standard unit of quantity thereof, specified in the Special Contract Rules for LMEmini Contracts, by reference to which settlement is made; or (d) in relation to an Average Price Swap Contract, the standard unit of quantity thereof, specified in the Average Price Swap Regulations, by reference to which settlement is made;
"Major Currency"	in respect of a metal, the currency in which the Settlement Price and Closing Price are to be determined;
"Matching Period"	a period prescribed pursuant to Regulation 3.6 of the Trading Regulations;
"Matching System"	the system operated by or on behalf of the Exchange for the matching and confirmation of Exchange Contracts, or such other system as may from time to time be adopted by the Exchange for that purpose;
"Member"	an Undertaking or individual admitted to membership of the Exchange in accordance with the Rules;
"Membership Regulations"	the Regulations set out in Part 2 of the Rules;
"Metal Contract"	a Metal Future or Metal Option;
"Metal Future"	an Exchange-traded futures contract pursuant to which the seller agrees to sell to the buyer one or more Lots of metal for delivery on a specified Prompt Date;

"Metal Option"	an Exchange-traded option contract pursuant to which the Granter grants to the Taker the right to buy from or sell to the Granter a Lot of a specified metal at a specified Strike Price in a specified month;
"Metal Options Regulations"	the Regulations set out in Part 5A of the Rules;
"MiFID"	Directive 2004/39/EC of the European Parliament and of the Council of 21 April 2004 on markets in financial instruments, as from time to time amended;
"Monthly Average Settlement Price"	<ul style="list-style-type: none"> (a) in relation to an Average Price Call Option, the price at which the Taker will sell to the Granter if the Traded Average Price Option is declared; (b) in relation to an Average Price Put Option, the price at which the Taker will buy from the Granter if the Traded Average Price Option is declared; (c) in relation to an Average Price Swap for a particular tradeable month, the aggregate of the Settlement Prices for the relevant metal for every Business Day in the relevant tradeable month divided by the number of Business Days for that month and which is calculated and published by the Exchange; and (d) in relation to a Traded Average Price Option for a particular month, the aggregate of the Settlement Prices for the relevant metal for every Business Day in the relevant tradeable month divided by the number of Business Days for that month and which is calculated and published by the Exchange.
"Moving Monthly Average Settlement Price"	in relation to a Traded Average Price Option or an Average Price Swap for a particular month, the aggregate of the Settlement Prices for the relevant metal for every Business Day to date in the relevant tradeable month divided by the number of Business Days to date for that month and which is calculated and published by the Exchange;
"Non-Segregated Client Contract"	a Client Contract which has been entered into the Matching System as a non-segregated Client Contract, or, if not yet entered into the Matching System, is intended to be a non-segregated Client Contract by the parties thereto;
"Notice to Arbitrate"	a Notice served by the Claimant pursuant to Regulation 2.1 of Part 8 of the Rules;

"Official Prices"	the prices determined in accordance with Regulation 5 of the Trading Regulations;
"Operating Procedures"	the manual issued by the Exchange pursuant to the LMEsword Regulations setting out detailed procedures and information relating to the operation of LMEsword;
"Option Contract"	a Metal Option or an Index Option;
"Options Regulations"	the Regulations set out in Part 5A of the Rules;
"Overseas Undertaking"	an undertaking which is a body corporate incorporated outside of the United Kingdom or if not itself a body corporate, its principal or managing member is a body corporate incorporated outside of the United Kingdom;
"Panel"	the Arbitration Panel of the Company;
"Panel Committee"	a committee appointed by the Directors to oversee the conduct of arbitrations pursuant to the Arbitration Regulations, and in particular to perform the functions and powers referred to in the Arbitration Regulations;
"Parent Undertaking"	the same meaning as set out in section 258 of the Companies Act 1985;
"Prompt Date"	(a) in relation to a Metal Future, LMEmini Future or an Average Price Swap, the Business Day on which, having regard where relevant to Regulation 8 of the Trading Regulations, the Contract is to be settled; or (b) in relation to an Index Contract, the Business Day on which, having regard where relevant to Regulation 8 of the Trading Regulations, the Settlement Price of the Index is determined, with settlement of the Contract on the next Settlement Business Day;
"Put Option"	an Option Contract pursuant to which the Granter gives the Taker the right to sell to the Granter or in the case of an Index Option, the notional right to sell to be cash settled;
"Quotations Committee"	a committee authorised by the Directors to be responsible for determining Closing Prices and Settlement Prices;
"Registration Fee"	such sum as may be specified by Administrative Procedure from time to time;
"Relevant Office Holder"	has the meaning attributed thereto by section 189 of the Companies Act 1989;
"Respondent"	the person receiving a Notice to Arbitrate served by the Claimant;

"Ring"	an Exchange open-outcry trading session in a type of Contract, of such duration and at such times as are laid down by the Directors, or the ring area of the Exchange as the context requires;
"Ring Committee"	a committee appointed by the Directors to oversee trading in the Ring;
"Ring Dealing Member"	a Member for the time being authorised by the Directors to trade in the Ring;
"Ring Disciplinary Committee"	a committee appointed by the Directors to enforce discipline on the premises of the Exchange;
"Ring Discipline Supervisory Panel"	Directors appointed by the Directors to enforce discipline on the premises of the Exchange;
"Rules"	means these rules and regulations as the same may be amended in accordance with the Articles;
"Secretary"	any person appointed to perform the duties of Secretary of the Company, and for the purpose only of Part 8 of the Rules, any person to whom the functions and powers of the Secretary referred to therein may be delegated from time to time;
"Segregated Client Contract"	a Client Contract which has been entered into the Matching System as a segregated Client Contract, or, if not yet entered into the Matching System, is intended to be a segregated Client Contract by the parties thereto;
"Settlement Business Day"	a Business Day on which commercial banks are open in New York City for the settlement of international transactions in US dollars;
"Settlement Price"	a price determined by the Quotations Committee in accordance with Regulation 5.1 of the Trading Regulations and in the circumstances specified in Regulation 5.3 of the Trading Regulations (in respect of Metal Contracts), or Regulation 5.6 of the Trading Regulations (in respect of Index Contracts), or by the Clearing House in accordance with Regulation 13 of the Trading Regulations;
"Special Committee"	the Committee to whom the Directors have delegated the emergency powers under Regulation 15 of Part 3 as permitted by Article 48;
"Special Contract Rules for LMEmini Contracts"	the Regulations set out in Part 6B of the Rules;
"Special Contract Rules for Metals"	the Regulations set out in Part 6 of the Rules;
"Special Contract Rules for the Construction of the Index"	the Regulations set out in Part 6A of the Rules;

"Strike Price"	<ul style="list-style-type: none"> (a) in relation to a Call Option which is a Metal Option, the price at which the Taker will buy from the Granter if the Option is declared; (b) in relation to a Put Option which is a Metal Option, the price at which the Taker will sell to the Granter if the Option is declared; (c) in relation to an Average Price Call Option, the price at which the Taker will buy from the Granter if the Traded Average Price Option is declared; (d) in relation to an Average Price Put Option, the price at which the Taker will sell to the Granter if the Traded Average Price Option is declared; (e) in relation to an Option Contract which is an Index Option, the agreed level of the Index which shall be compared with the Settlement Price of the Index on the Prompt Date to determine the amount payable to the Taker (if any);
"Subsidiary Undertaking"	the same meaning as set out in section 258 of the Companies Act 1985;
"Taker"	the buyer of a Traded Option;
"Traded Average Price Option"	an Exchange-traded option contract pursuant to which the Granter grants to the Taker the right to buy from the Granter a Lot of a specified metal at a specified Strike Price in a specified month and to sell to the Granter a Lot of a specified metal at the Monthly Average Settlement Price in that same specified month, or vice versa, the declaration of which will take place automatically if the Monthly Average Settlement Price is, in the case of an Average Price Call Option, greater than the Strike Price or, in the case of an Average Price Put Option, less than the Strike Price for the relevant tradeable month;
"Traded Option"	an Option Contract or a Traded Average Price Option;
"Traded Options Committee"	the committee appointed by the Directors for the purpose of administering trading in Traded Options;
"Traded Options Regulations"	the Regulations set out in Part 5 of the Rules in relation to Metal Options, Traded Average Price Options and Index Options;
"Trading Regulations"	the regulations set out in Part 3 of the Rules;

"Tribunal"	the tribunal of one, two or three arbitrators appointed in accordance with Regulation 3 of Part 8 of the Rules;
"Undertaking"	the same meaning as set out in section 259 of the Companies Act 1985;
"Unofficial Closing Price"	a price determined by the Quotations Committee in accordance with Regulation 5.5 of the Trading Regulations;
"Unsettled Contract"	a Contract in respect of which the obligations of the parties have not been discharged whether by performance, set-off or otherwise;
"Variation Margin"	<p>(a) in relation to an Exchange Contract, the sum of money determined by the Clearing House under the General Regulations of the Clearing House;</p> <p>(b) in relation to a Client Contract, the sum of money determined by the relevant Ring Dealing or Associate Broker Clearing Member (or, where no such Member is a party, by the relevant Associate Broker non-Clearing Member) representing the difference, if any, between the price of the relevant Contract and the Closing Price most recently quoted or such larger sum as may be agreed between the parties;</p>
"Warrant"	a warehouse warrant for the storage of metal, issued by a listed warehouse and in a form approved by the Exchange;
"Weighting"	the factor determined by the Exchange from time to time which, when multiplied by the Settlement Price of a Constituent Metal, determines the contribution to the Index of that Constituent Metal;
"Working Day"	any weekday, Monday to Friday inclusive, which is not a public holiday in England and Wales.

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

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

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

2 GENERAL

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

- 2.2 Administrative Procedures may be issued by (a) the Chief Executive, or those empowered by him for this purpose, in relation to commercial matters, and (b) by the Executive Director: Regulation and Compliance, or those empowered by him for this purpose, in relation to regulatory and compliance matters, and shall have the same force as Rules.
- 2.3 Administrative Procedures shall be sent to such class or classes of Member to whom they apply.
- 2.4 The Rules and Administrative Procedures shall be binding on all Members. Failure to comply with any of them or with any decision of the Directors or direction of the Exchange made pursuant to them shall constitute a breach of the Rules for the purposes of disciplinary procedures.
- 2.5 The Directors or the Executive Director: Regulation and Compliance may grant to a Member a waiver of particular requirements of these Rules in such circumstances and subject to such conditions as either think fit, provided that the Directors or the Executive Director: Regulation and Compliance are satisfied that compliance with the relevant requirements would be unduly burdensome to the Member and that the waiver would not create unacceptable risks for the Exchange, or the market generally, and would not result in unreasonable or inequitable discrimination between Members. Waivers granted by the Executive Director: Regulation and Compliance shall be subsequently notified to the next Board.
- 2.6 Unless otherwise stated, all times in the Rules refer to London time.

PART 3
TRADING REGULATIONS

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PART 3: TRADING REGULATIONS

1 GENERAL

- 1.1 The Directors may fix and from time to time alter the hours of opening and closing the Exchange, the hours for trading by open outcry in the Ring and the hours for trading on LME Select.
- 1.2 Members may trade and make Contracts at any time on a Business Day notwithstanding that the Exchange may not be open at the time.
- 1.3 The making by Ring Dealing Members and Associate Broker Members of Contracts shall be subject to the Rules of the Exchange (of which the Trading Regulations form a part). Exchange Contracts shall in addition be subject to the General Regulations of the Clearing House.
- 1.4 Contracts may be written only by Ring Dealing Members or Associate Broker Members and accordingly at least one party to every Contract must be such a Member.
- 1.5 All Contracts shall be governed by the Rules including the Trading Regulations and the Contract Regulations, the Traded Options Regulations, the Average Price Swap Regulations and the Special Rules for the relevant metal, LMEmini Contract or for the Construction of the Index and, where applicable the LME Select Operating Procedures and the General Regulations of the Clearing House as effectively as if the same had been expressly inserted therein.

2 PERMITTED CONTRACTS

- 2.1 Members may act only as principals. In all dealings with non-Members they shall comply with the provisions contained in the Rules which refer to relations with clients and to dealings with clients.
- 2.2 All dealing by Members in Metal Contracts, LMEmini Contracts, Index Contracts and Average Price Swap Contracts made subject to the Rules of the Exchange must be evidenced either (a) by an Exchange Contract and/or Segregated Client Contract input into the Matching System and registered with the Clearing House, or (b) by a Non-Segregated Client Contract input into the Matching System. This Regulation shall not impose on the Clearing House any obligation which is not imposed on it by the General Regulations of the Clearing House.
- 2.3 Any Contract, except Index Contracts, Steel Contracts, LMEmini Contracts and Average Price Swap Contracts, may be written with the price or premium payable in any one of the following currencies and no other: US dollar, euro, Japanese yen or sterling. Index Contracts, Steel Contracts, LMEmini Contracts and Average Price Swap Contracts shall be written with the price or premium payable solely in US dollars.

3 THE MATCHING SYSTEM AND RECORDING OF TRADES

- 3.1 Each Clearing Member and Associate Broker Non-Clearing Member shall be responsible for the input into the Matching System of all trades by him in Contracts.
- 3.2 For the purpose of input of trades Clearing Members and Associate Broker Non-Clearing Members shall install and maintain within their offices such electronic data input and capture systems as may be required and approved by the Exchange for the purpose of using the Matching System. They shall ensure the operational capability of such systems at all times and operate the same in accordance with any terms as may be prescribed by the Exchange.
- 3.3 Trades made in the Ring shall be recorded as they are executed on such form as may be approved by the Exchange, and shall also be input into the Matching System.

- 3.4 All other transactions effected by Clearing Members and Associate Broker Non-Clearing Members shall be recorded on Clearing Members' or Associate Broker Non-Clearing Members' own recording documentation and shall also be input into the Matching System.
- 3.5 All trades required to be input into the Matching System shall be input in such form and within such time as may be prescribed by the Exchange from time to time.
- 3.6 For the purpose of matching trades the Exchange shall divide each Business Day into "Matching Periods" and shall allow a limited time after the end of each Matching Period for the matching of all trades executed during such period.
- 3.7 Any dispute or difference between Clearing Members and/or Associate Broker Non-Clearing Members as to matching of any trade or alleged trade may be referred to arbitration in accordance with the Rules of the Exchange by either such Clearing Member or Associate Broker Non-Clearing Member.
- 3.8 All Contracts made after the close of the final Matching Period on each Business Day shall be input by the Clearing Members and/or Associate Broker Non-Clearing Members who are party thereto during such part of the first Matching Period of the following Business Day as may be prescribed by the Exchange.
- 3.9 Only transactions which have been confirmed as matched by the Matching System may be presented for registration with the Clearing House.
- 3.10 All Exchange Contracts and all Segregated Client Contracts made by Clearing Members shall be presented for registration with the Clearing House subject to and in accordance with the General Regulations of the Clearing House which shall be deemed to apply to such Contracts as fully as if the same had been expressly inserted therein.
- 3.11 Particulars of an Exchange Contract or a Segregated Client Contract presented to the Clearing House by the Matching System shall be deemed to be presented by the Clearing Members in whose names it is presented and accordingly, under the General Regulations of the Clearing House, presentation of the particulars by the Matching System shall constitute confirmation of the Exchange Contract or the Segregated Client Contract by those Clearing Members.
- 3.12 Upon such presentation of particulars the Clearing House shall, subject as provided in the General Regulations of the Clearing House, send to each Clearing Member in whose name they are confirmed a member-registration statement showing the date and other particulars of each confirmed Exchange Contract and Segregated Client Contract or a summary thereof. If the Clearing House does not register any Exchange Contract or Segregated Client Contract particulars of which have been presented to it, it shall notify the contracting parties within a reasonable time.
- 3.13.1 Every Ring Dealing Member, Associate Broker Clearing Member and Associate Broker Non-Clearing Member shall keep such records, with such content and in such form, as may be required to demonstrate compliance by the Member with the Rules.

In particular, such Members shall keep records of all Contracts in such form as the Exchange may approve and such records shall include the following details:-

- (a) name of the other party;
- (b) whether the Member has bought or sold or, in the case of a Traded Option, granted or taken;
- (c) the metal or Index;
- (d) whether the Contract is an LMEmini Contract;

- (e) Prompt Date (if applicable) and, in the case of a Traded Option, maturity or declaration month, Strike Price, and whether the Traded Option is a put or a call,
 - (f) whether the Contract is an Average Price Swap Contract and, if so (i) the tradeable month which is to be used to calculate the Monthly Average Settlement Price; and (ii) the fixed price agreed between the buyer and the seller in the Contract;
 - (g) quantity;
 - (h) transaction price or, in the case of a Traded Option, premium; and
 - (i) date and time of transaction.
- 3.13.2 The time of a transaction effected by open outcry in the Ring shall be recorded by denoting the Ring-trading period in which the transaction is effected, using the appropriate abbreviation from below:-

"R1" for the first Ring of the first session;
 "R2" for the second Ring of the first session;
 "K1" to "K6" for the ensuing Kerb;
 "R3" for the first Ring of the second session;
 "R4" for the second Ring of the second session;
 "K7" to "K9" for the ensuing Kerb.

4 PRICE INFORMATION

- 4.1 For the purpose of disseminating information as to prices obtaining at any time during business hours of any Business Day:-
- 4.1.1.1 the Exchange shall, during Ring and Kerb trading, input current prices for all types of contract traded in the Ring to the Exchange's price-reporting service;
 - 4.1.1.2 the Exchange shall, during LME Select trading hours, input the current best bid and best offer prices shown on LME Select and the aggregated volumes for each, together with the price and volume of each trade transacted, to the Exchange's price-reporting service;
 - 4.1.2 subject to 4.1.3 below, each Ring Dealing and Associate Broker Clearing Member shall input into the Exchange's price-reporting service indicative current bid and offer prices and, in respect of Carries, price spreads, for all types of Contract;
 - 4.1.3 a Member shall only be obliged to comply with 4.1.2 above if the Exchange has served a notice on it specifying the type or types of Contract, if any, in respect of which it must input prices;
 - 4.1.4 the Exchange shall serve a notice under 4.1.3 above on a Ring Dealing or Associate Broker Clearing Member if that Member satisfies the criteria published by the Exchange from time to time;
 - 4.1.5 the Exchange may serve a notice under 4.1.3 above on a Ring Dealing or Associate Broker Clearing Member if that Member requests it, and the Exchange considers it appropriate or desirable, to do so;
 - 4.1.6 the Exchange may serve a withdrawal notice in respect of any type or types of Contract whereupon the Member served with the withdrawal notice shall not input prices in respect of the type or types of Contract specified in that withdrawal notice;
 - 4.1.7 a Member served with a notice under 4.1.3 above must comply with any guidance issued by the Exchange and must abide by the terms and conditions for the Exchange's price-reporting service, as amended from time to time.

- 4.2 Representatives of the Exchange shall be in attendance during Ring and Kerb trading on each Business Day for the purpose of maintaining a record of trends in prices bid, offered and traded for all Contracts and, in respect of Carries, of price spreads.
- 4.3 Members shall not supply the aforementioned pricing-information in the form of a video- or data-feed directly or indirectly to any financial information service provider other than the Exchange or any of its authorised agents without prior written consent of the Exchange.

5 SETTLEMENT PRICES AND OTHER OFFICIAL PRICES

- 5.1 At the close of the morning Ring trading session for each metal and before commencement of kerb trading the Quotations Committee shall determine and post in the Exchange as soon as possible thereafter Official Prices for that metal in its Major Currency. Such prices shall be at the levels which the Quotations Committee determines to have been the last bid and offered prices in the second Ring or, where it determines there were not such prices, at such other level as it may in its discretion decide for Cash, three months and:-
- (a) fifteen months forward in the case of Steel Billet, Cobalt, Molybdenum and Tin;
 - (b) the third Wednesday in December of the following calendar year in the case of Aluminium Alloy and North American Special Aluminium Alloy; and
 - (c) the third Wednesday in December of each of the following three calendar years in the case of all other metals.
- 5.2 The Official Prices so determined shall immediately be reported by the Exchange to the Clearing House.
- 5.3 If the second succeeding Business Day is a Prompt Date such Official Prices for metals shall be the Settlement Prices for the relevant metal for that Prompt Date.
- 5.4 At the same time as the Quotations Committee determines official Settlement Prices, it shall in addition determine Official Prices for all metals in their respective Major Currencies for the Prompt Dates three months and:-
- (a) fifteen months forward in the case of Steel Billet, Cobalt, Molybdenum and Tin;
 - (b) the third Wednesday in the December of the following calendar year in the case of Aluminium Alloy and North American Special Aluminium Alloy; and
 - (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 in the same manner as provided in Regulations 5.1 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.

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 each Prompt Date, and the Index Futures Closing Price for each month forward, 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 for such other Prompt Dates as may be necessary to enable current prices for all Prompt Dates to be calculated.
- 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.

7 PROTECTED-PAYMENT SYSTEM

Every Clearing Member shall make such arrangements as may be requisite for his participation in the protected-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; or
 - (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 Standard 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.
- 8.2 Index Contracts may have as their Prompt Dates (but subject, where relevant, to sub-paragraph 8.4 of this 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 Average Price Swaps, 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 Directors in their absolute discretion shall determine.

8.4.2 If any Prompt Date falling within Regulation 8.1(c) of this Regulation would, in spite of or by reason of the provisions of Regulation 8.4.1, 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.

8.5 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 regulation 8.4.1; 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 regulation 8.4.1.

8.6 Average Price Swap Contracts 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.

8.7 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 shall not be settled earlier notwithstanding that an offsetting Contract for the same tonnage and Prompt Date may have been made.

9 SETTLEMENT OF CONTRACTS

9.1 Exchange Contracts - General:

9.1.1 Settlement of all Exchange 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 Exchange Metal Contract. Where the currency of the Exchange 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 Exchange 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.

- 9.1.2 Settlement of all Exchange 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.
- 9.1.3 In addition to their settlement on the Prompt Date, all Exchange LMEmini Contracts shall be subject to daily marking to market in accordance with the General Regulations of the Clearing House.
- 9.1.4 Settlement of all Exchange 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 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.
- 9.1.5 In addition to their settlement on the Settlement Business Day following the Prompt Date, all Exchange Index Futures shall be subject to daily marking to market in accordance with the General Regulations of the Clearing House.
- 9.1.6 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.
- 9.1.7 Settlement of all Average Price Swaps 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.
- 9.1.8 In addition to their settlement on the Prompt Date, all Exchange Average Price Swaps shall be subject to daily marking to market in accordance with the General Regulations of the Clearing House.
- 9.1.9 Settlement referred to in this Regulation 9 shall be applied separately to Exchange Contracts within a Clearing Member's "house" and "client" accounts.

9.2 Exchange Metal Contracts - Settlement of Differences:

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

9.3 Exchange Metal Contracts - Closing by Offset:

Bought and sold Exchange 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 Exchange Metal Contracts - Settlement by Delivery:

- 9.4.1 The nett Lots covered by Exchange Metal Contracts remaining following offset under Regulation 9.3 shall be settled on their Prompt Date by payment subject to the General Regulations of the Clearing House
- 9.4.2 The Clearing House shall raise invoices or credit notes for the contract weight of the nett Lots covered by such Exchange Metal Contracts at the Settlement Price and in the currency of the relevant Exchange 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 Regulation 9.4.2 shall be effected through the protected-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 nett Lots covered by Exchange Metal Contracts following offset under 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 General Regulations of the Clearing House. Subject to Regulation 15.7, 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 General Regulations of the Clearing House.
- 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 General Regulations of the Clearing House.
- 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 General Regulations of the Clearing House:
- 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 House 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 where the Exchange has taken steps or issued directions under Regulation 15.1 or 15.2 below, Invoice Back the metal due to be delivered in accordance with Regulation 10.4.
- This Regulation 9.4.6 shall apply subject to any directions of the Exchange made under Regulation 15.1 or 15.2 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 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
- 9.5.1 Client Metal Contracts shall settle by offset or delivery.
- 9.5.2 Client Index Futures shall settle in cash on the Settlement Business Day following the Prompt Date in the same way as Exchange Index Futures as described in Regulation 9.1.4. Client Index Futures 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.

- 9.5.2.1 As agreed between the Member and its client, the Member shall effect either (i) the daily settlement to market or (ii) daily marking to market of all open Client Index Futures.
- 9.5.2.2 The Member shall, in respect of each open Client Index Future, effect a settlement contract, being a 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 Index Futures Closing Price.
- 9.5.2.3 The Member shall, upon completion of the procedure in Regulation 9.5.2.2 above, calculate the daily settlement amounts and the Member and its client shall (unless otherwise agreed) settle any daily settlement amounts arising.
- 9.5.2.4 The Member shall, upon completion of the calculation of daily settlement amounts pursuant to Regulation 9.5.2.3 above:
- (a) In respect of those Open Contracts in a client's name which have been settled pursuant to Regulation 9.5.2.2 and which are subject to daily settlement to market, enter into and record at the Index Futures Closing Price referred to in Regulation 9.5.2.2 above, 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 Contracts in the name of the client if to do so would result in the client being the purchaser under one Index Future and the seller under another Index Future, each such Index Future having the same maturity month;
 - (b) In respect of those open Contracts in a client's name which have been settled pursuant to Regulation 9.5.2.2 above and which are subject to daily marking to market enter into and record at the Index Futures Closing Price referred to in Regulation 9.5.2.2 above, new Contracts in the client's name as open Contracts on the same terms (except as to price) as the settled open Contracts.
- 9.5.3 In the Money Client Index Options shall be subject to automatic exercise and settlement in the same way as In the Money Exchange Index Options.

LMEmini Client Contracts

- 9.5.4 Client LMEmini Futures shall settle in cash on the Prompt Date in the same way as Exchange LMEmini Futures as described in Regulation 9.1.2. Client LMEmini Futures 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.
- 9.5.4.1 As agreed between the Member and its client, the Member shall effect either (i) the daily settlement to market or (ii) daily marking to market of all open Client LMEmini Futures.

Calculation of Daily Settlement Amounts

- 9.5.4.2 In order to create a daily settlement amount, the Member shall, in respect of each open Client LMEmini Future, 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 LMEmini Futures Closing Price. For the avoidance of doubt, the settlement contract shall not be registered in the Matching System.
- 9.5.4.3 The Member shall, upon completion of the procedure in Regulation 9.5.4.2 above, calculate the daily settlement amounts and the Member and its client shall (unless otherwise agreed) settle any daily settlement amounts arising.

Procedures for Settling to Market and for Marking to Market

9.5.4.4 The Member shall, upon completion of the calculation of daily settlement amounts pursuant to Regulation 9.5.4.3 above:

Settling to Market

- (a) In respect of those open Contracts in a client's name which have been settled pursuant to Regulation 9.5.4.2 and which are subject to daily settlement to market, enter into and record in its books at the LMEmini Futures Closing Price referred to in Regulation 9.5.4.2 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 LMEmini Future and the seller under another LMEmini Future, each such LMEmini Future having the same maturity month. For the avoidance of doubt, these book-entry Contracts shall not be registered in the Matching System;

Marking to Market

- (b) In respect of those open Contracts in a client's name which have been settled pursuant to Regulation 9.5.4.2 above and which are subject to daily marking to market enter into and record in its books at the LMEmini Futures Closing Price referred to in Regulation 9.5.4.2 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.

9.6 Client Metal Contracts - by Offset:

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.

9.7 Client Metal Contracts - by Delivery:

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 non-Clearing 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.

9.8 Settlement Facility

Members may designate an alternative settlement facility to LCH.Clearnet Limited 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.

10 DELIVERY - GENERAL

- 10.1 Acceptance and delivery of documents including 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 an Exchange Contract registered with the Clearing House, he shall give written notice and particulars of his complaint to the Clearing House in conformity to the General Regulations of the Clearing House.
- 10.2 If there appears to the Clearing House to be a default by either party to an Exchange Contract registered 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 Regulation 9.4.6.2, it shall Invoice Back the metal in question to the seller at the price fixed by the Directors. The Directors 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 Directors consider should be paid by either party to the other. This Regulation 10.4 shall apply subject to any directions issued in accordance with Regulation 15.1 or 15.2 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 Any Director who is associated with any company or firm which has any direct interest in the determination of an Invoicing Back price shall be excluded from the deliberations of the Directors when fixing that price.
- 10.7 References in the Rules to the delivery of Warrants shall include a delivery of Warrants by way of a transfer within LMEsword in accordance with the LMEsword Regulations and Operating Procedures.

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 for Kerb dealings. Dealings shall be for Prompt Dates in accordance with Regulation 8.1 subject to the provisions of any applicable administrative procedures. Those present in the Exchange during Ring and Kerb dealings shall at all times conduct themselves in an orderly manner.
- 11.2 Market Abuses:-
- 11.2.1 No person shall manipulate or attempt to manipulate or otherwise abuse the market or create or attempt to create an artificial market.

- 11.2.2 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.
- 11.2.3 No person shall undertake or attempt to undertake wash or bogus transactions.
- 11.2.4 No person shall attempt to demonstrate that a trade has taken place when it has not in fact occurred nor shall any person mislead or attempt to mislead Executive staff as to the nature of any transaction.
- 11.2.5 No person shall, either intentionally or unintentionally, create a disorderly market.
- 11.3 The following rules of Ring procedure shall at all times be observed:-
- 11.3.1 Dealings must cease as soon as the bell commences to ring.
- 11.3.2 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.
- 11.3.3 There must be no discrimination either in favour of or against any Dealer or the Ring Member for whom he is dealing.
- 11.3.4 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. 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 Regulation 11.3. Any Dealer who is trading by open outcry will be deemed to have withdrawn his bid and/or offer should he leave the Ring.
- 11.3.5 Minimum price fluctuations shall be at such levels as the Directors may from time to time prescribe.
- 11.3.6 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.
- 11.3.7 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.
- 11.3.8 Bids or offers deemed by the Ring Disciplinary Committee to be frivolous are prohibited and may be deemed to be a market abuse pursuant to Regulation 11.2.
- 11.3.9 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.
- 11.3.10 A Dealer who simultaneously offers to buy and to sell must be prepared to deal either way.
- 11.3.11 A Dealer must not:
- 11.3.11.1 bid at or more than the offered price nor offer at or below the bid price at the time of his offer or bid;
- 11.3.11.2 bid below the bid price nor offer above the offered price at the time of his offer or bid.
- 11.3.12 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.
- 11.3.13 The term "0", when it is in the last digit of the full price, must not be used.
- 11.3.14 During all Ring and Kerb trading Dealers must ensure that:-

- 11.3.14.1 in the case of Copper - Grade A, High Grade Primary Aluminium, Special High Grade Zinc, Standard Lead, North American Special Aluminium Alloy, Steel Billet and Aluminium Alloy the last two digits of the full price are quoted;
- 11.3.14.2 in the case of Cobalt, Molybdenum, Primary Nickel and Tin, the last three digits of the full price are quoted; and
- 11.3.14.3 in the case of Index Futures, the last three digits of the full price are quoted.
- 11.3.15 Dealers must act with due skill, care and diligence at all times whilst dealing by open outcry.
- 11.3.16 A 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.
- 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 Dealers must not bid or offer at a price which is unknown at the time the bid or offer is made.
- 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:
 - 11.3.21.1 only the Dealer from a Member seated in the Ring may trade that metal; and
 - 11.3.21.2 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. Any unfilled balance up to this limit must be sold to or taken from other Dealers who immediately respond to the bid or offer. [Rule 11.3.21.2 was introduced initially on a three month basis – see Notice 11/289 for further information.]
- 11.3.22 A dealer must not commit any other act of misconduct of a kind which two or more members of the Ring Disciplinary Committee deem to be a dealing offence.
- 11.3.23 Any breach of Regulation 11.3 will be deemed to be a dealing offence.
- 11.4.1 The Chief Executive, or in his absence his deputy, and in the event of a fire or similar emergency any two employees of the Executive 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.
- 11.4.2 An employee of the Executive who is properly authorised by the Chief Executive may take other action relating to discipline on the premises of the Exchange with the approval of any two members of the Ring Disciplinary Committee if in his view it is necessary to prevent a breach of any rule and to ensure the proper running of the market. Similarly, such action may be taken by any member of the Ring Discipline Supervisory Panel or the Chief Executive without the requirement for approval by two members of the Ring Disciplinary Committee.

- 11.5.1 Breaches by Dealers or other persons of the provisions of the Trading Regulations may be categorised by the Ring Disciplinary Committee as minor offences, dealing offences or serious offences.
- 11.5.2 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.
- 11.5.3 Where the Ring Disciplinary Committee considers that a Dealer or other person may have committed an offence:
- 11.5.3.1 the Ring Disciplinary Committee shall notify such person in writing;
- 11.5.3.2 not later than close of business on the Business Day following receipt of written notice in accordance with Regulation 11.5.3.1, 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.
- 11.5.4 Where, following expiration of the inspection period referred to in Regulation 11.5.3.2, the Ring Disciplinary Committee has determined that a Dealer or other person has committed an offence:
- 11.5.4.1 the Ring Disciplinary Committee shall notify such person in writing;
- 11.5.4.2 not later than close of business on the Business Day following receipt of written notice in accordance with Regulation 11.5.4.1, 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 Regulation 11.5.3.2, 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
- 11.5.4.3 Where no appeal is lodged by such person in accordance with 11.11.1, the Ring Disciplinary Committee shall notify in writing all Ring Dealing Members to the nature and circumstances of the offence and any penalty imposed.
- 11.6 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:-
- 11.6.1 Conduct of an unprofessional nature:-

		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

Examples of such acts of misconduct are:-

- (a) Failure to observe the Exchange Dress Code;
- (b) Failure to observe the Exchange Food/Beverages Code;
- (c) Chewing whilst dealing by open-outcry;
- (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 (other than when dealing in the Ring or using the seat provided in each member's booth);
- (i) Smoking on Exchange premises at any time;
- (j) The use of telephones in the Dealing Area other than in the confines of Members' booths (the use of mobile telephones is prohibited at all times in the Dealing Area);
- (k) Excessive noise from behind the Ring whilst dealings are in progress or the Official Prices are being announced;
- (l) Any other act of misconduct of which the Exchange may, from time to time, notify to Members through administrative notices.

11.6.2 Conduct likely to interfere with trading activity or to cause disorder or offence or damage on Exchange premises:-

		Penalty Fine	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

Examples of such acts of misconduct are:-

- (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;
- (d) The harassment of Exchange staff;
- (e) Any other act of misconduct of which the Exchange may, from time to time, notify to Members through administrative notices.

11.7 Any two or more members of the Ring Disciplinary Committee may impose a penalty for dealing offences in accordance with the table of fines and penalty points listed below:-

		Fine	Penalty Points
1st offence	up to	£2500	20
2nd offence	up to	£5000	40
3rd offence	up to	£10000	80
4th offence	up to	£20000	160

11.8.1 After a period of six 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 Any person who accumulates 100 or more penalty points within a period of three calendar months or 180 or more penalty points within a period of six calendar months will be reported to two or more members of the Ring Discipline Supervisory Panel.

11.8.3 Any person who accumulates 60 or more penalty points within a period of three calendar months or 140 or more penalty points within a period of six 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.

- 11.9.1 Where a serious offence is alleged to have been committed the Ring Disciplinary Committee shall be obliged to refer the matter to two or more members of the Ring Discipline Supervisory Panel.
- 11.9.2 Examples of such acts of misconduct are:-
- (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) Any other act of misconduct of a kind which the Ring Disciplinary Committee deems to fall into this category.
- 11.9.3 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 such person shall comply with any such request.
- 11.10.1 Any two or more members of the Ring Discipline Supervisory Panel may impose a fine of up to £50,000 and suspension of up to twenty Business Days on a person referred to them and/or on the Member which employs him. The provisions of Regulation 11 of the Membership Regulations shall apply *mutatis mutandis* to the procedure of the Ring Discipline Supervisory Panel.
- 11.10.2 Any such matter referred to two or more members of the Ring Discipline Supervisory Panel may, at their discretion, be referred to the Enforcement Committee for consideration for disciplinary action pursuant to Regulation 11 of the Membership Regulations.
- 11.10.3 Where two or more members of the Ring Discipline Supervisory Panel find that there has been an act of misconduct, notification of such findings and of any sanction shall be made (once the same have become conclusive and binding after any appeal in accordance with procedures in Rule 11 of the Membership Regulations) by means of a notice sent by the Secretary to:
- 11.10.3.1 the person found to have committed the act of misconduct;
 - 11.10.3.2 any other person to whom in the Ring Discipline Supervisory Panel's opinion in the circumstances such copy should be sent; and
 - 11.10.3.3 all Members and appropriate regulatory or other authorities.
- 11.10.4 Where the Ring Discipline Supervisory Panel (or, as the case may be an Appeal Committee) find that any allegation of misconduct has not been substantiated, notification of such finding shall be made by means of a notice sent by the Secretary to the persons alleged to have committed the act of misconduct and the persons specified in 11.10.3.2 above and shall, if the Defendant so requests (but not otherwise), be sent to Members and appropriate regulatory or other authorities.
- 11.11.1 Any person who is subject to a finding by the Ring Disciplinary Committee and who is dissatisfied with that finding or with any penalty imposed may, by the close of the Business Day following the day of receiving notice thereof, lodge an appeal in writing with the Chairman of the Enforcement Committee, who shall refer the same to the Ring Discipline

Supervisory Panel. Pending determination of any such appeal, the decision of and any sanction imposed by the Ring Disciplinary Committee shall be suspended. The Ring Discipline Supervisory Panel may at its discretion and in the event it determines the findings of the Ring Disciplinary Committee be upheld, review the penalty imposed and award the costs of the appeal to the unsuccessful appellant.

- 11.11.2 Any person who is subject to a finding by the Ring Discipline Supervisory Panel and who is dissatisfied with that finding or with any penalty imposed may, by the close of the Business Day following the day of receiving notice thereof, lodge an appeal in writing with the Chairman of the Enforcement Committee, who shall refer the same to a Disciplinary Committee constituted and acting in accordance with Regulation 11 of Part 2. Pending determination of any such appeal, the decision and any sanction imposed by the Ring Discipline Supervisory Panel shall be suspended.
- 11.11.3 In the event that the Ring Disciplinary Committee is dissatisfied with a finding or with any penalty imposed by the Ring Discipline Supervisory Panel it may, by the close of the Business Day following the day of receiving notice thereof, lodge an appeal in writing with the Chairman of the Enforcement Committee, who shall refer the same to a Disciplinary Committee constituted in accordance with Regulation 11 of Part 2. Pending determination of any such appeal, the decision and any sanction imposed by the Ring Discipline Supervisory Panel shall be suspended.

12 DEALINGS ON LME SELECT

- 12.1 Business for LME Select shall be in accordance with the Rules and the LME Select Operating Procedures.
- 12.2 Market Abuses:-
 - 12.2.1 no person shall manipulate or attempt to manipulate or otherwise abuse the market or create an artificial market;
 - 12.2.2 no person shall enter or attempt to enter an order or a series of orders or attempt to enter into a transaction or series of transactions designed to create an artificial market whereby price and turnover do not truly reflect the business transacted;
 - 12.2.3 no person shall undertake or attempt to undertake wash or bogus orders or transactions;
 - 12.2.4 no person shall mislead or attempt to mislead Executive Staff as to the nature of any orders or transactions;
 - 12.2.5 no person shall either intentionally or unintentionally, create a disorderly market.
- 12.3 The following rules of trading procedure shall apply at all times when the central order book (a description of the central order book and its operation are included in the LME Select Operating Procedures) is open for order matching:-
 - 12.3.1 any activated order in the central order book remains anonymous to other LME Select Participants until it is matched;
 - 12.3.2 any activated order in the central order book remains valid until it has been matched, withdrawn or is no longer valid;
 - 12.3.3 bids or offers deemed by the Executive to be frivolous are prohibited and may be deemed to be a market abuse pursuant to Regulation 12.2.1;
 - 12.3.4.1 dealer priority in the central order book is in accordance with the LME Select Operating Procedures, firstly in price order and then in order of the order entry time;

- 12.3.4.2 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;
- 12.3.4.3 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;
- 12.3.5 orders entered into LME Select must be in multiples of Lots and with minimum price fluctuations as shall be prescribed by the Directors from time to time;
- 12.3.6 dealers must act with due skill care and diligence at all times whilst dealing on LME Select;
- 12.3.7 permitted orders shall be in accordance with those listed in the LME Select Operating Procedures.

13 WHEN THE CLEARING HOUSE MAY FIX PRICES

- 13.1 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 General Regulations of the Clearing House as if it had been determined by the Quotations Committee.
- 13.2 If the Directors fail to fix an Invoicing Back price under Regulation 10.4 or Regulation 15.7, 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 Directors.
- 13.3 A Closing Price, or a Settlement Price or an Invoicing Back price fixed under Regulation 13.1 or 13.2 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.

14 WHO MAY TRADE IN THE RING OR ON LME SELECT

- 14.1 Every Ring Dealing 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.
- 14.2 Names and particulars of proposed Dealers shall be submitted in writing to the Directors who shall have the right to approve or refuse every such application after such consultation with the Ring Committee as they think fit.
- 14.3 A list of Dealers together with the names of the Ring Dealing Members whom they represent shall be posted in the Exchange together with names of any Dealers authorised since compilation of such list.
- 14.4.1 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.
- 14.4.2 A Probationary Dealer cannot apply for full authorisation until he has dealt in the ring for a period of not less than six months.
- 14.4.3 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.

- 14.5 Qualification requirements for Authorised and Probationary Dealers shall be as prescribed by the Directors after consultation with the Ring Committee and shall be available on application to the Secretary.
- 14.6 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 Directors, and during this period any Ring Dealing Member having any objection to the nominee may communicate the same to the Exchange stating the reasons therefor.
- 14.7 Any withdrawal of, or withdrawal of authority from, a nominated Dealer of a Ring Dealing Member shall likewise be communicated immediately to the Exchange, which shall forthwith advise all other Ring Dealing Members.
- 14.8 No more than one Authorised Dealer representing a Ring Dealing Member may trade in the Ring at any one time during official Ring trading sessions.
- 14.9 No person other than a Dealer or other representative of a Ring Dealing 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.
- 14.10 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.
- 14.11 The Exchange will grant each Dealer that is authorised in accordance with the requirements of the LME Select Operating Procedures access to the system.
- 14.12 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.
- 14.13 Any withdrawal of, or withdrawal of authority from, a nominated Dealer shall likewise be communicated immediately to the Exchange.

15 EMERGENCIES

- 15.1 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 Exchange Contract positions; and
 - (c) reducing its net trading position.
- 15.2 Without prejudice to the generality of this 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.

- 15.3 Any decision of the Special Committee pursuant to this 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.
- 15.4 Any Member contravening or failing to comply with any direction or instruction issued under the provisions of Regulations 15.1 to 15.3 above shall be liable to the same sanctions as if a breach of the Rules had been committed by him.
- 15.5 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, Average Price Swap 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, Average Price Swap Contract 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 Regulations 15.1 to 15.3 above as they deem necessary at the time. The Directors shall not take such action as aforesaid without first consulting the Clearing House.
- 15.6 In the event that a cessation or suspension or limitation of trading in any metal, LMEmini Contract, Average Price Swap Contract or Index Contract imposed by the Directors in accordance with Regulations 15.1 to 15.3 or 15.5 above be such as to prevent delivery of the said metal or settlement of the said LMEmini Contract, Average Price Swap Contract 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.
- 15.7 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.
- 15.8 Notwithstanding anything set out in Regulations 15.1 to 15.7 above:
- 15.8.1 neither the Directors nor the Special Committee shall exercise their power to suspend or remove from trading any Contract which no longer complies with the Rules, where such step would be likely to cause significant damage to the interests of investors or the orderly functioning of the financial markets; and
- 15.8.2 the Directors shall suspend or remove from trading a Contract when required to do so by the FSA.

16 LENDING GUIDANCE

- 16.1 Members shall comply with the Lending Guidance and shall co-operate with the Exchange to ensure that each of their Clients shall comply with the Lending Guidance.
- 16.2 Where the Exchange has reasonable cause to suspect that a Client has failed or is likely to fail to comply with the Lending Guidance, 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 Guidance. 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 Exchange 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 Guidance; 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 Exchange 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 Guidance; 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 Exchange 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 Guidance; 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.

16.3 Compliance with the Lending Guidance is subject to the power of the Special Committee to take steps or give directions under Regulations 15.1 to 15.3 above. Without prejudice to the generality of Regulations 15.1 to 15.3 above, such steps or directions may include suspending, amending or supplementing the Lending Guidance for such period or in respect of such metals as the Special Committee in its absolute discretion deems necessary.

17 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 either in contract or in tort to any Member or other person in respect of the matters set out in Regulations 17.1 and 17.2 below:

- 17.1 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;
 - (g) any other events not set out in (a) to (f) above.
- 17.2 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.

PART 5
TRADED OPTIONS REGULATIONS

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PART 5A: METAL OPTIONS REGULATIONS

1 RELATIONSHIP WITH TRADING REGULATIONS

- 1.1 The Trading Regulations and the Contract Regulations shall, unless otherwise provided in these Metal Options Regulations or unless the context otherwise requires, apply to Metal Options.
- 1.2 The General Regulations of the Clearing House shall apply to Exchange Metal Options.

2 PERMITTED OPTIONS

- 2.1 Metal Options shall be available in respect of such metals and denominated in such currencies as may from time to time be prescribed by the Exchange. The months traded, Strike Price gradations and numbers and sequences above and below the Strike Price closest to the current market price shall be determined by the Exchange from time to time after consultation with the Clearing House and shall be posted in the Exchange.
- 2.2 Trading may be conducted, in respect of any Metal Option authorised by the Traded Options Committee, until the close of the business on the Last Trading Day for such Metal Option. A new month for the metal concerned will become available for trading at the opening of business on the Business Day following the Last Declaration Day.
- 2.3 The minimum permitted spread between buyers' and sellers' premiums bid or offered in respect of Exchange Metal Options, and the minimum fluctuation in such premiums, shall be at such levels as the Directors may from time to time prescribe according to the currency in which the Metal Option is denominated.
- 2.4 All Exchange Metal Options shall be input into the Matching System and registered as such with the Clearing House, subject to and in accordance with the Trading Regulations and the General Regulations of the Clearing House.

3 DECLARATION

- 3.1 Subject where relevant to Regulation 8 of the Trading Regulations, Prompt Dates for futures Contracts resulting from declarations under Metal Options shall be the third Wednesday in the relevant month or, if that day is not a Business Day, the next succeeding day which is a Business Day.
- 3.2 Declaration of an Exchange Metal Option may only be made on the Clearing House by a Clearing Member Taker if it forms part of that Member's open registered position as at the close of business on the preceding Business Day. Declaration shall be made in such manner as may be prescribed or accepted by the Clearing House no earlier than 07.30 hours and no later than 11.15 hours on any Business Day up to and including the Last Declaration Day for the relevant Metal Option.
- 3.3 Upon receipt of declaration of an Exchange Metal Option or Options by a Clearing Member Taker or Takers, the Clearing House shall declare a like Exchange Metal Option or Options on any Clearing Member Granter or Granters selected by it who had corresponding open registered positions as at the close of business on the preceding Business Day. The Clearing House shall use its best endeavours to notify the relevant Granter no later than 11.30 hours on the day upon which the Exchange Metal Option is declared on the Clearing House, provided however that Granters shall be obliged to accept later declarations if made in accordance with the General Regulations of the Clearing House.

- 3.4.1 Takers of Client Metal Options from Clearing Member Granters shall declare Metal Options on their Clearing Member Granters in such manner as has been agreed between them, no later than 11.10 hours on any Business Day up to and including the Last Declaration Day for the relevant Metal Option.
- 3.4.2 Non-Clearing Member Takers or non-Member Takers of Client Metal Options from non-Clearing Member Granters shall declare Metal Options on their non-Clearing Member Granters in such manner as has been agreed between them no later than 11.10 hours on any Business Day up to and including the Last Declaration Day for the relevant Metal Option.
- 3.5.1 Clearing Member Takers of Client Metal Options shall declare the same on their Granters no later than 11.40 hours on any Business Day up to and including the Last Declaration Day, in such manner as has been agreed between them, provided that if the Clearing House declares on the Clearing Member later than 11.30 hours pursuant to Regulation 3.3 the Granter shall be obliged to accept a correspondingly later declaration from the Clearing Member Taker.
- 3.5.2 Non-Clearing Member Takers of Client Metal Options from non-Members shall declare the same on their Granters in such manner as has been agreed between them no later than 11.40 hours on any Business Day up to and including the Last Declaration Day for the relevant option.
- 3.6 Any Metal Option described in Regulations 3.2 to 3.5 above not declared as above prescribed shall be deemed to have been abandoned.

4 EFFECT OF DECLARATION

- 4.1 On the declaration of a Metal Option a futures Contract shall arise between Granter and Taker of the declared Metal Option, the price of such futures Contract being the Strike Price in the Metal Options Contract.
- 4.2 Metal Futures Contracts which arise on declaration of a Metal Option shall be settled in accordance with the Trading Regulations.
- 4.3 Offsetting Exchange Metal Option Contracts of a Clearing Member for the same quantity, metal, Strike Price, type, month and currency shall be closed automatically by the Clearing House in accordance with the General Regulations of the Clearing House, and all rights and obligations attaching to or arising from those Exchange Metal Option Contracts will terminate. The provision of this Regulation 4.3 shall be applied separately to the "client" account and the "house" account of each relevant Clearing Member.
 - 4.4.1 On the declaration of a Client Metal Option where either the Granter or the Taker is a Clearing Member, the Clearing Member must record a Cross in relation to the futures Contract resulting from the said declaration.
 - 4.4.2 On the declaration of a Client Metal Option where neither party is a Clearing Member then each non-Clearing Member must arrange for a Clearing Member to record a Cross in relation to that declaration.
- 4.5 Offsetting Client Metal Option Contracts for the same quantity, metal, Strike Price, type, month and currency shall be closed automatically unless otherwise agreed between the Granter and the Taker as the Taker otherwise requests at or before the time when the offsetting Metal Option is granted.

5 PREMIUMS

- 5.1 The amount of the premium payable on opening every Metal Option Contract shall be determined between Granter and Taker 5.2.1 Payment of the premium by the Taker of an Exchange Metal Option to the Granter shall be effected through the protected-payment system, in accordance with the General Regulations of the Clearing House, prior to 12.00 hours on the next Business Day following the day on which the Metal Option is traded.
- 5.2.2 Payment of the premium by the Taker of a Client Metal Option to the Granter shall be effected prior to 12.00 hours on the next Business Day following the day on which the Metal Option is traded.
- 5.3 The Taker of an Exchange Metal Option may apply the value of such Metal Option as determined by the Clearing House against Variation Margin due to the Clearing House in respect of open Exchange Options granted by the said Taker and/or open Exchange Contracts of the said Taker.
- 5.4 The Taker of an Exchange Metal Option or Client Metal Option shall not be permitted to receive cash payment in respect of any positive value of such Metal Option nor apply any credit arising therefrom to the purchase of another Option Contract.

6 PRICE INFORMATION

- 6.1 Regulation 4 of the Trading Regulations shall apply to Metal Options.
- 6.2 For the purpose of enabling the Clearing House to determine Metal Option values pursuant to the General Regulations of the Clearing House, 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 17.00 hours, for the Strike Price nearest to 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 Contract and each relevant month in which the relevant Metal Option is traded, and communicate the above to the Clearing House no later than 18.00 hours.
- 6.3 If a member is active in a particular Metal Option at any particular time as determined by the Executive, it shall be obliged to submit closing volatilities to the Executive for the purpose of the Clearing House valuations, if requested. Failure to comply with this request may result in that member being subject to Exchange disciplinary procedures.

PART 5B: TRADED AVERAGE PRICE OPTIONS REGULATIONS

7. RELATIONSHIP WITH TRADING REGULATIONS

- 7.1 The Trading Regulations and the Contract Regulations shall, unless otherwise provided in these Traded Average Price Options Regulations or unless the context otherwise requires, apply to Traded Average Price Option Contracts.
- 7.2 The General Regulations of the Clearing House shall apply to Exchange Traded Average Price Options.

8. PERMITTED TRADED AVERAGE PRICE OPTIONS

- 8.1 Traded Average Price Option Contracts shall be available in respect of such metals and denominated in such currencies as may from time to time be prescribed by the Exchange. The months traded, Strike Price gradations and numbers and sequences above and below the Strike Price closest to the current market price shall be determined by the Exchange from time to time after consultation with the Clearing House and shall be posted in the Exchange.
- 8.2 Trading may be conducted, in respect of any Traded Average Price Option authorised by the Directors in consultation with the Traded Options Committee, until the close of business on the Last Trading Day for such Traded Average Price Option. A new month for the metal concerned will become available for trading at the opening of business on the Business Day following the Declaration Day.
- 8.3 The minimum permitted spread between buyers' and sellers' premiums bid or offered in respect of Exchange Traded Average Price Options, and the minimum fluctuation in such premiums, shall be at such levels as the Directors may from time to time prescribe according to the currency in which the Traded Average Price Option is denominated.
- 8.4 All Exchange Traded Average Price Options shall be input into the Matching System and registered as such with the Clearing House, subject to and in accordance with the Trading Regulations and the General Regulations of the Clearing House.

9. DECLARATION

- 9.1 Subject where relevant to Regulation 8 of the Trading Regulations, Prompt Dates for futures Contracts resulting from declarations under Traded Average Price Option Contracts shall be the second Business Day following the Declaration Day for the relevant tradeable month.
- 9.2 The declaration of an Exchange Traded Average Price Option shall be deemed to have been made on the Clearing House by a Clearing Member Taker at 15.00 hours on the Declaration Day for the relevant Traded Average Price Option if it is In The Money and forms part of that Member's open registered position as at the close of business on the preceding Business Day. The declaration shall be accepted and made by the Clearing House no later than 15.00 hours on the Declaration Day for the relevant Traded Average Price Option and it shall use its best endeavours to notify the relevant Granter no later than 15.00 hours on the Declaration Day provided however that Granters shall be obliged to accept later declarations if made in accordance with the General Regulations of the Clearing House.

- 9.3 The declaration of a Client Traded Average Price Option shall be deemed to have been made on the Granter by the Taker at 15.00 hours on the Declaration Day for the relevant Traded Average Price Option if it is In The Money and notification of the said declaration shall be made in such manner as has been agreed between them.
- 9.4 Any Traded Average Price Option described in Regulations 9.2 and 9.3 above not declared as above prescribed shall be deemed to have been abandoned.

10. EFFECT OF DECLARATION

- 10.1 On the declaration of a Traded Average Price Option two futures Contracts each for the full tonnage of the Contract shall arise between Granter and Taker of the declared Traded Average Price Option:-
- 10.1.1 in the case of a declared Average Price Call Option, the Taker will buy from the Granter at the Strike Price in the Traded Average Price Options Contract and sell to the Granter at the Monthly Average Settlement Price for the relevant month;
- 10.1.2 in the case of a declared Average Price Put Option, the Taker will sell to the Granter at the Strike Price in the Traded Average Price Options Contract and buy from the Granter at the Monthly Average Settlement Price for the relevant month.
- 10.2 Futures Contracts which arise on declaration of a Traded Average Price Option shall be settled in accordance with the Trading Regulations.
- 10.3 Offsetting Exchange Traded Average Price Option Contracts of a Clearing Member for the same quantity, metal, Strike Price, type, month and currency shall be closed automatically by the Clearing House in accordance with the General Regulations of the Clearing House, and all rights and obligations attaching to or arising from those Exchange Traded Average Price Options Contracts will terminate. The provision of this Regulation 10.3 shall be applied separately to the "client" account and the "house" account of each relevant Clearing Member.
- 10.4.1 On the declaration of a Client Traded Average Price Option where either the Granter or the Taker is a Clearing Member, the Clearing Member must record Crosses in relation to the futures Contracts resulting from the said declarations.
- 10.4.2 On the declaration of a Client Traded Average Price Option where neither party is a Clearing Member then each relevant non-Clearing Member must arrange for a Clearing Member to record Crosses in relation to that declaration.
- 10.5 Offsetting Client Average Price Contracts for the same quantity, metal, Strike Price, type, month and currency shall be closed automatically unless otherwise agreed between the Granter and the Taker as the Taker otherwise requests at or before the time when the offsetting Traded Average Price Option is granted.

11. PREMIUMS

- 11.1 The amount of the premium payable on opening every Traded Average Price Option Contract shall be determined between the Granter and Taker.
- 11.2.1 Payment of the premium by the Taker of an Exchange Traded Average Price Option to the Granter shall be effected through the protected payment system, in accordance with the General Regulations of the Clearing House, prior to 12.00 hours on the next Business Day following the day on which the Traded Average Price Option is traded.
- 11.2.2 Payment of the premium by the Taker of a Client Traded Average Price Option to the Granter shall be effected prior to 12.00 hours on the next Business Day following the day on which the Traded Average Price Option is traded.
- 11.3 The Taker of an Exchange Traded Average Price Option may apply the value of such Traded Average Price Option as determined by the Clearing House against Variation Margin due to the Clearing House in respect of open Exchange Traded Average Price Options granted by the said Taker and/or open Exchange Contracts of the said Taker.
- 11.4 The Taker of an Exchange Traded Average Price Option or Client Traded Average Price Option shall not be permitted to receive cash payment in respect of any positive value of such Traded Average Price Option nor apply any credit arising therefrom to the purchase of another Traded Average Price Option.

12. PRICE INFORMATION

- 12.1 Regulation 4 of the Trading Regulations shall apply to Traded Average Price Options.
- 12.2 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.
- 12.3 For the purpose of enabling the Clearing House to determine Traded Average Price Option values pursuant to the General Regulations of the Clearing House 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 17.00 hours, for the Strike Price nearest to 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 Traded Average Price Option Contract and each relevant month in which the relevant Traded Average Price Option is traded, and communicate the above to the Clearing House no later than 18.00 hours.
- 12.4 If a member is active in a particular Traded Average Price Option at any particular time as determined by the Executive, it shall be obliged to submit closing volatilities to the Executive for the purpose of the Clearing House valuations, if requested. Failure to comply with this request may result in that member being subject to Exchange disciplinary procedures.

PART 5C: INDEX OPTIONS REGULATIONS

13. RELATIONSHIP WITH TRADING REGULATIONS

- 13.1 The Trading Regulations and the Contract Regulations shall, unless otherwise provided in these Index Options Regulations or unless the context otherwise requires, apply to Index Options.
- 13.2 The General Regulations of the Clearing House shall apply to Exchange Index Options.

14. PERMITTED OPTIONS

- 14.1 Index Options shall be available in respect of such contract sizes as may from time to time be prescribed by the Exchange but shall be traded in US dollars only. The months traded, Strike Price gradations and numbers and sequences above and below the Strike Price closest to the current market price and any other specifications shall be determined by the Exchange from time to time after consultation with the Clearing House and shall be posted in the Exchange.
- 14.2 Trading may be conducted, in respect of any Index Option authorised by the Traded Options Committee, until 16.35 hours on the Last Trading Day for such Index Option. A new month for the Index Option concerned will become available for trading at the opening of business on the Business Day following the Prompt Date.
- 14.3 The minimum permitted spread between buyers' and sellers' premiums bid or offered in respect of Exchange Index Options, and the minimum fluctuation in such premiums, shall be at such levels as the Directors may from time to time prescribe.
- 14.4 All Exchange Index Options shall be input into the Matching System and registered as such with the Clearing House, subject to and in accordance with the Trading Regulations and the General Regulations of the Clearing House.

15. AUTOMATIC EXERCISE

- 15.1 An Exchange Index Option shall be automatically exercised on its Granter at about 19.15 hours on the Prompt Date for the relevant Index Option if at that time it is In the Money and forms part of a Member's open registered position with the Clearing House.
- 15.2 A Client Index Option shall automatically exercise on its Granter at about 19.15 hours on the Index Exercise Date for the relevant Index Option if at that time it is In The Money.
- 15.3 Notification of automatic exercise of a Client Index Option shall be made in such manner as has been agreed between Granter and Taker.
- 15.4 Any Index Option not exercised as prescribed shall be deemed after its Prompt Date to have been abandoned.

16. EFFECT OF AUTOMATIC EXERCISE

- 16.1 On the automatic exercise of an Index Option on the Prompt Date it shall settle in cash as described in the Trading Regulations.

17. PREMIUMS

- 17.1 The amount of the premium payable on opening every Index Option shall be determined between Granter and Taker.
- 17.2.1 Payment of the premium by the Taker of an Exchange Index Option to the Granter shall be effected through the protected-payment system, in accordance with the General Regulations of the Clearing House, prior to 12.00 hours on the next Business Day following the day on which the Index Option is traded.
- 17.2.2 Payment of the premium by the Taker of a Client Index Option to the Granter shall be effected prior to 12.00 hours on the next Business Day following the day on which the Index Option is traded.
- 17.3 The Taker of an Exchange Index Option may apply the value of such Index Option as determined by the Clearing House against Variation Margin due to the Clearing House in respect of open Exchange Options granted by the said Taker and/or open Exchange Contracts of the said Taker.
- 17.4 The Taker of an Exchange Index Option or Client Index Option shall not be permitted to receive cash payment in respect of any positive value of such Option nor apply any credit arising therefrom to the purchase of another Index Option.

18. PRICE INFORMATION

- 18.1 Regulation 4 of the Trading Regulations shall apply to Index Options.
- 18.2 For the purpose of enabling the Clearing House to determine Index option values pursuant to the General Regulations of the Clearing House, 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 17.00 hours, for the Strike Price nearest to 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 Index Option Contract and each relevant month in which the relevant Index Option is traded, and communicate the above to the Clearing House no later than 18.00 hours.