

Base Metals

London Metal Exchange (LME) Trading

January 2021



As ICBC Standard Bank PLC ("ICBCS") is a category 2 member of the LME, under the obligations of onshored EMIR ("UK EMIR") and the UK's implementation of MiFID II ("UK MIFID II") we are required to collect additional data from you regarding segregation of your collateral and under position limit reporting requirements.

Account Structure for Segregation of Collateral (Appendix 1)

Omnibus Segregated Account – "OSA"

Individual Segregated Account – "ISA"

Commodity Position Limit Reporting (Appendix 2)

What is the trading strategy of your account(s)?:

Risk Reducing (hedge)

Speculative (spec)

For Non-Financial Entities, has a submission been made to the FCA for the Ancillary Activity Exemption under article 2(1)(j) of MiFID II?

Yes

No

Appendix 1

EMIR - Segregation of Collateral - Guidance

As a financial institution authorised within the UK, ICBC Standard Bank Plc (the “Bank”) is subject to the requirements of the UK EMIR concerning OTC derivatives regulation. Under UK EMIR, the Bank is required to offer you a choice of two segregated accounts and this Appendix sets out the basic differences between the two types of segregated account in order to enable you to decide which is the most appropriate for you.

The operational aspects of UK EMIR clearing and account segregation are set out in the Clearing Member Disclosure Document issued by industry bodies the FOA and ISDA. Please review this document (which can be accessed [here](#)) for further information and read in conjunction to this Appendix.

Background

UK EMIR mandates central counterparty clearing and establishes a form of protection for your positions and collateral.

The Bank is a ‘Clearing Member’ of the LMEClear.

Under UK EMIR, CCPs must be able to identify and segregate the assets and positions of Clearing Members.

Accordingly, the Bank must offer you two types of new account structure: an Omnibus Segregation Account (“OSA”) or an Individual Segregation Account (“ISA”).

OSA – Omnibus Segregated Account

Structure:

An OSA means that all of your transactions and assets will be held separately from the Bank’s house account at the CCP, but your assets will be comingled with assets of the Bank’s other clients in its client OSA account.

An OSA enables us to operate your account in the same way as under our existing trading relationship, but offers you additional protection in that your assets and those of the Bank’s other clients will be segregated in the “Client OSA” from the Bank’s own assets.

Porting:

In the event of a Clearing Member default, under the UK EMIR OSA model, the OSA is ring-fenced. The CCP and/or the Clearing Member’s (i.e. the Bank’s) administrators would contact you (and each of the Bank’s other clients within the OSA) about the options available to you with regards to porting and/or liquidation of your transactions and assets.

Credit:

Should you elect for an OSA arrangement, this will not impact the existing credit facilities between you and the Bank.

Fees:

There will be no additional fees specifically related to the maintenance of the OSA. However, the Bank will pass on to each client who elects the OSA model, any registration fees levied by either the LME or the Clearing House as a result of a transfer of your positions out of the Bank’s existing Client OSA.

ISA – Individual Segregated Account

Structure:

An ISA means that all of your transactions and assets will be held separately from the Bank's own trading account at the CCP and your assets will not be comingled with the assets of the Bank's other clients. The trading and asset positions of each of the Bank's clients will be ring-fenced from all other accounts (client or house) managed by the Clearing Member.

Porting:

An ISA provides you with the ability to designate an alternate Clearing Member which should enable your contractual interests to be 'ported' in their entirety upon the occurrence of a Clearing Member default. In the event of a Clearing Member default, the CCP and/or Clearing Member's (i.e. the Bank's) administrators would advise you that your ISA account will be automatically ported to your preferred alternate Clearing Member. If you elect the ISA model we will contact you so that you may nominate an alternate Clearing Member for the porting requirement.

Credit:

Normally the Bank operates ISAs without any credit waivers or facilities attached to them.

Fees:

The Bank will charge each client which elects an ISA. Please see [here](#) for more information. This fee will incorporate CCP operational fees which are passed on to the Clearing Member together with the Bank's internal operational costs to facilitate and manage an ISA account. In addition, the Bank will pass on to each client that elects an ISA any registration fees levied by either the LME or the Clearing House in the course of transferring your positions into the ISA.

Appendix 2

UK MiFID II - Commodity Position Limit Reporting - Frequently Asked Questions

1 What is required?

- The Bank is required to collect additional data from you in order to comply with position limit reporting obligations. This includes client LEI, client regulatory officer email address, ultimate parent entity LEI and ultimate parent entity regulatory officer email address.

2 What is a Legal Entity Identifier (LEI)?

- An LEI is a 20-character unique identifier assigned to identify a counterparties to financial transactions.

3 How is a LEI obtained?

- LEI's are generated by online providers called Legal Operating Units ("LOUs"). Information on LOU providers and how to obtain a LEI can be found on the GLEIF website www.gleif.org

4 Do LEIs need to be maintained?

- Yes. Each legal entity is required to recertify its LEI annually to ensure the data is accurate.

5 What is an Ultimate Parent Entity?

- Ultimate Parent Company is defined as the uppermost entity in a corporate structure with >50% ownership of its subsidiaries. Please note that the Ultimate Parent Company cannot be a private individual.

6 If my Ultimate Parent Entity is a non-trading entity, does it still need an LEI?

- LEI's are required at a ultimate parent entity level, regardless of trading status, in order to aggregate overall position limits across group companies.

7 Why must trades be identified as either risk reducing or speculative?

- Under UK MIFID II, we are required to flag trades as either for risk reducing purposes or speculative trading. Given feedback from clients on the difficulties of providing this information at the point of execution, we have decided to provide a default counterparty flag, to report all of your trades as either "Risk Reducing" or "Speculative". Regardless of this approach, you will retain the ability to tell us at the point of execution if the trade is risk-reducing or for speculative purposes if you wish.

8 Where can I obtain further information?

- For information on how to obtain an LEI, please visit: www.gleif.org
- For information from the FCA on UK MiFID II, please visit <https://www.fca.org.uk/markets/mifid-ii>
- For information on commodity positions limits, please visit <https://www.fca.org.uk/markets/mifid-ii/commodity-derivatives>
- The information on commodity derivative contracts currently identified with position limits, please visit <https://www.fca.org.uk/markets/mifid-ii/commodity-derivatives/position-limits>

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