



A GUIDE TO THE DIRECT MARKET ACCESS TO THE LONDON METAL EXCHANGE THROUGH OSL: STRUCTURE AND MARKET TERMINOLOGY

SUMMARY

Otkritie Securities Limited (hereinafter OSL) provides you via third party software providers with the direct market access on The London Metal Exchange (hereinafter LME) through RDM's, ABCM's and ABM's services (collectively the LME brokers). According to the LME Rulebook, all LME contracts are between parties acting as principals. In compliance with these requirements, in conducting business with the LME brokers OSL acts as principal and not as agent on your behalf, as it is essential requirement of the LME that one party must be an RDM, ABCM or ABM. This is achieved by entering into a back-to-back principal LME registered client contract with the LME broker from one side and non-LME registered client contract from your side of the transaction. The LME registered client contracts may only be issued between RDM, ABCM and ABM (collectively the LME brokers) and their clients. OSL, being a client of LME brokers, is being issued LME registered client contracts by LME brokers. However, OSL trades with you in non-LME registered client contracts with all conditions that apply to the corresponding LME registered client contract resulting in your obligations and duties as a result of these conditions.

1. INTRODUCTION AND PURPOSE

This document is designed to provide you with an overview of the structure of the LME, market terminology and how OSL provides you with the direct market access to the exchange. You should always ensure you consult the LME's web-site www.lme.co.uk for particular information request you may have.

2. THE LME MEMBERSHIP STRUCTURE

The membership structure of the LME and OSL's position within this structure described below. The LME has 7 categories of membership. Access to the market is available through

- 1) Ring Dealing Member (RDM)
- 2) Associate Broker Clearing member (ABCM)
- 3) Associate Broker Member (ABM)

Associate Trade Clearing Member may trade in the ring only on their own books without issuing client contract; they are entitled to clear their own business. Associate Trade Members have no trading rights except as clients. Categories 6 and 7 are reserved for individual and honorary members.

For the direct market access trading on the LME OSL utilises RDM, ABCM and ABM access services.

3. EXCHANGE AND CLIENT CONTRACT

There are two types of contracts traded on the LME - Exchange Contracts and Client Contracts. Contract criteria relating to LME contracts, including metal/plastic specifications, acceptable currencies, prompt dates, option strike prices for metals etc. are detailed in the LME rulebook and appropriate notices. Exchange Contracts are contracts between clearing members of the LME. Client Contracts are contracts between ring dealing members (RDM), or associate broker clearing members (ABCM), or associate broker members (ABM) and their customers. Only RDM, ABCM and ABM may issue Client Contracts for their customers which are 'LME REGISTERED CLIENT CONTRACTS'. It is an essential requirement of an LME Client Contract that one party must be an RDM, ABCM or ABM.

OSL, being a client of LME brokers, is being issued LME registered client contracts by LME brokers. OSL is not a RDM, ABCM and ABM and thus, OSL trades with you in 'a non-LME registered client contracts' with all conditions that apply to the corresponding LME registered client contract with the LME broker resulting in your obligations and duties as a result of those conditions. You shall understand and familiarise yourself with all obligations and duties which may be found the LME's web-site www.lme.co.uk.

4. PRINCIPAL NATURE AND DUAL CAPACITY

According to LME Rulebook all LME contracts are between parties acting as principals. In respect of Exchange Contracts, an LME broker buying metal or plastic under an Exchange Contract from another LME broker cannot do so as agent for his customer. Where an LME broker buys metal or plastic under an Exchange Contract with a view to selling that metal or plastic to his customer, this is achieved by entering into a back-to-back Client Contract with the customer.

In compliance with these requirements, in conducting business with the LME brokers OSL acts as principal and not as agent on your behalf. This is achieved by entering into a back-to-back principal LME registered client contract with the LME broker from one side and non-LME registered client contract from your side of the transaction. This does not make you a party to the Exchange Contract but does create additional duties and obligations owed by OSL to you under the Client Contract. You should be clear that all conditions that apply to OSL Client Contracts with LME brokers are fully applicable to you.

OSL's LME brokers may act both in the capacity of market maker and broker. They may act in a particular manner depending on a number of circumstances, including the size of the order, the liquidity of the market at the time the order was placed.

OSL's orders may be filled directly from the broker's 'book' or following the purchase/sale of metal or plastic in the LME market. Furthermore, customer orders may be offset, amalgamated, broken-up or netted for execution. If you have specific order requirements please make these known to OSL at the time the order is placed with OSL.