

LMEprecious

London gold and silver contracts



What is LMEprecious?

LMEprecious is the collaborative initiative created by the London Metal Exchange (LME), the World Gold Council and a group of leading industry players to introduce an innovative suite of exchange-traded loco London precious metals products.

LMEprecious consolidates and reinforces the existing London precious metals trading market, providing new opportunities for trading, price discovery, risk management and an enhanced market structure.

Developed in response to market demand and in close consultation with key precious metals stakeholders, LMEprecious offers spot pricing together with daily and monthly futures for both gold and silver. LMEprecious delivers greater choice for market participants, modernising the gold and silver markets to better reflect the needs of global players in precious metals markets.

Key statistics

Total LMEprecious volume traded
over 1,250,000 lots

Combined Average Daily Volume (ADV)
c.5,000 lots

Total ounces of gold traded
over 105 million oz (3,270 tonnes)

Total ounces of silver traded
over 1 billion oz (31,460 tonnes)

Open interest (OI)
more than 30,000 lots of OI
in total for gold and silver

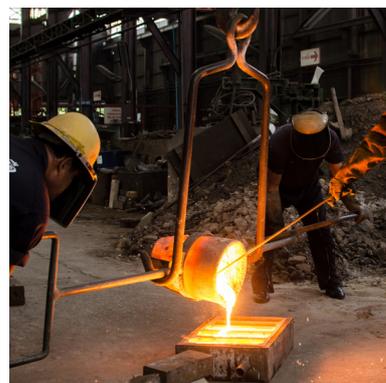
Five-year forward curve with positions
out to March 2023

Statistics from launch on 10 July 2017
to 10 July 2018

Key features of the contracts

- **A highly-flexible date structure** – both gold and silver contracts can be traded on a daily basis, from T+1 (TOM), T+2 (SPOT), through to T+25, and monthly out to five years. In this way, it is possible to combine the spot liquidity and daily granularity of the London over-the-counter (OTC) market with the monthly futures exchange traded format.
- **Tradeable carries between all futures dates** – including the crucial tom/next carry trade for inventory management, Exchange For Physical (EFP) trades and monthly roll trades for funds and other investors.
- **Displayed electronic liquidity** – the LME's market-making partners deliver deep and tight executable prices across the whole gold and silver forward curves.
- **Loco London delivery** – gold and silver bullion physically held in London allows for efficient settlement between LMEprecious and OTC market deliveries.
- **Optimised capital management** – LMEprecious contracts are cleared by LME Clear, the LME's custom-built metals CCP, with scope for material capital savings.
- **Flexible booking model** – LMEprecious contracts can be traded electronically via LMEselect from 01:00-20:00 London time, and through the 24-hour telephone market. The LME's telephone market allows trades to be voice-brokered, and then brought onto exchange as cleared futures contracts.

LMEprecious – heritage and experience combine to deliver the future of precious metals



At the heart of the physical gold market, London has always been a financial hub for commodities and the global liquidity centre for precious metals. Building on our historical relationships and engagement with the precious metals market, we are broadening the offering for the precious metals community.

The LME has long held strong and positive relationships with this community, historically delivering gold and silver forward curves, data solutions and clearing and matching services for precious metals.

The World Gold Council has been a key driver in the modernisation of the gold market globally, and has worked closely with the LME in developing LMEprecious. It represents 24 of the world's largest gold miners. Its US subsidiary is the sponsor of GLD® (NYSEArca: GLD), the largest exchange traded fund in the world backed by physical gold. The World Gold Council maintains relationships with participants across the gold supply chain including refiners, consumers and investors in gold which result in a unique understanding of the trends within the global gold industry.

We are working together to encourage wider participation in the London precious metals market to maximise its transparency and efficiency, and to further align exchange-traded prices with the physical market. LMEprecious delivers greater choice for market participants, modernising the precious metals markets to better reflect market need.

The next phases of LMEprecious will deliver gold and silver options, followed by platinum and palladium futures and options contracts.

LBMA Platinum and LBMA Palladium Prices

Since 2014, the LME has also administered the electronic auctions for LBMA Platinum and LBMA Palladium Prices, via our custom-built auction system, LMEbullion. LMEbullion delivers fully automated price display auctions, enabling reliable and transparent twice-daily price discovery and price dissemination via LME-licensed data distributors. The system operating hours are between 08:00 - 18:00 (London time).

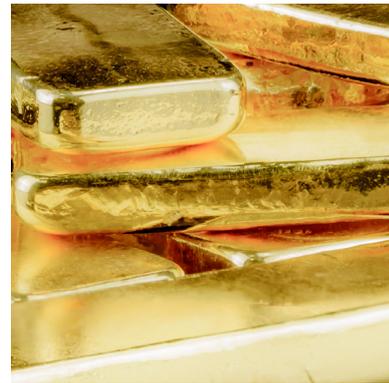
LMEprecious reference prices

In response to market demand, the LME has introduced LMEprecious reference prices. These intra-day LME Gold and LME Silver spot price points support the precious metals market in managing their price risk throughout the trading day, aligned with periods of peak liquidity. With the introduction of the LME's 'Trade at Settlement' capability, these will become fully tradeable reference prices.

LMEprecious reference prices are calculated three times on each trading day (London time):

- LME Gold AM and LME Silver AM – 10:30-10:32
- LME Gold Midday and LME Silver Midday – 12:00-12:02
- LME Gold PM and LME Silver PM – 15:00-15:02

Accessing the LMEprecious contracts



As with the LME's existing base metals suite, you can trade LMEprecious as either a member or a client. Members must sign up to the LME rulebook and meet certain criteria, to then trade the contracts at a reduced fee and offer the contracts to their clients.

Membership is most suitable for banks, brokers and large principal traders.

Clients trade through a member, and do not need to enter into a direct relationship with the LME. Client trading is most suitable for industrial users, funds, investors and other principal traders.

Members

Existing LME members are eligible to participate in the LMEprecious product suite. Members can opt in to trade, clear or do both for these new contracts both on their own account, and on behalf of their clients. The LMEprecious contracts are traded operationally in the same way as existing LME base metals contracts, using the same systems, connectivity and rulebook.

If your firm is not currently an LME member, but would like to be able to directly trade LMEprecious contracts, there is a type of LME membership which allows you to specifically access the gold and silver contracts, with reduced membership fees and shareholding requirements. Please get in touch with us to find out more about this route.

LMEprecious clearing members can also clear trades. Clearing members will of course need to satisfy LME Clear's specific requirements for clearing the LMEprecious contracts.

Clients

If you are a client of an existing LME member, please get in touch with them to discuss trading the new contracts on your behalf. We are confident that your LME member will be keen to facilitate your LMEprecious trading.

If you are not already a client of an LME member, we can provide you with a list of members who are offering the LMEprecious contracts and you can talk to them about getting access to trade these products.



Clearing the new precious contracts



The contracts are centrally cleared by LME Clear, the clearing house for the LME. LME Clear provides state of the art real-time clearing, giving participants more control over their business in key areas such as risk management.

LME Clear currently clears over 600,000 contracts each day, with an annual traded notional value of almost \$13 trillion, equating to 3.5 billion tonnes of industrial metals.

Many participants in the over-the-counter (OTC) market are also starting to see the benefits of clearing, which can include improved access to capital, balance sheet and leverage efficiencies, margin netting and counterparty risk management.

How does LMEprecious complement the OTC precious metals market?

The LMEprecious suite of contracts complements the bilateral OTC market, and offer market participants similar levels of flexibility in execution. Already well aligned with the OTC market, our settlement date structure means that trades usually carried out on the OTC market can just as easily be done on-exchange.

The LME is unique among exchanges since our structure is both similar to and supports the OTC market. We are facilitating access for the OTC precious markets, meaning that trades previously executed bilaterally can seamlessly be brought on exchange and then cleared.



Find out more

For more information including contract specifications, please visit our website at www.lme.com/lmeprecious

If you have any questions, would like to find out more about becoming an LMEprecious member, or how to access the new contracts, please get in touch with our team by email at lmeprecious@lme.com

LME Gold contract specification

Parameter	Definition	
Name	LME Gold ¹	
Contract code	AU	
Contract type	Futures	
Delivery type	Physical	
Underlying material	Loco London Fine Gold held in London and complying with standards relating to good delivery and fineness acceptable to the Precious Metal Clearer of the Clearing House, for the purpose of effecting settlement with the Clearing House, as such standards are in effect from time to time	
Lot size	100 fine troy ounces	
Price quotation	US Dollars and cents per fine troy ounce	
Clearable currencies	US Dollars	
Trading venues	LMEselect	Inter-office market
Trading hours	01.00 – 20.00 London time	24 hours
Contract period	Daily Dates tradeable from T+1 to T+3, Monthly Dates for at least 24 months (third Wednesday Prompt) and for a further 12 Calendar Quarterly Dates, as defined in the LME Rulebook	Daily Dates tradeable from T+1 to T+25, Monthly Dates for at least 24 months (third Wednesday Prompt) and for a further 12 Calendar Quarterly Dates, as defined in the LME Rulebook
Minimum price fluctuation (tick size)	\$0.100 per fine troy ounce	\$0.001 per fine troy ounce
(Carries)	\$0.001 per fine troy ounce	\$0.001 per fine troy ounce
Termination of trading	The last trading time for LMEprecious gold futures shall be 16.00 London time on the Last Trading Day. The Last Trading Day for LMEprecious gold futures shall be the Business Day which is one Business Day before the Prompt Date	
Daily settlement price	The daily settlement price is determined using a waterfall methodology comprising VWAP of traded prices during the settlement window and/or other relevant data, where appropriate. It is used for margining and daily settlement purposes	
Final settlement price	The final settlement price is determined on the last business day before the prompt date	
Settlement procedure	All unallocated Precious Metal deliveries to LME Clear should be made to LME Clear's nominated Precious Metal Clearer, in accordance with the Settlement Instructions issued by LME Clear	
Margining	Realised Variation Margins applied	

LME Silver contract specification

Parameter	Definition	
Name	LME Silver ¹	
Contract code	AG	
Contract type	Futures	
Delivery type	Physical	
Underlying material	Loco London Fine Silver held in London and complying with standards relating to good delivery and fineness acceptable to the Precious Metal Clearer of the Clearing House, for the purpose of effecting settlement with the Clearing House, as such standards are in effect from time to time	
Lot size	5,000 troy ounces	
Price quotation	US Dollars and cents per troy ounce	
Clearable currencies	US Dollars	
Trading venues	LMEselect	Inter-office market
Trading hours	01.00 – 20.00 London time	24 hours
Contract period	Daily Dates tradeable from T+1 to T+3, Monthly Dates for at least 24 months (third Wednesday Prompt) and for a further 12 Calendar Quarterly Dates, as defined in the LME Rulebook	Daily Dates tradeable from T+1 to T+25, Monthly Dates for at least 24 months (third Wednesday Prompt) and for a further 12 Calendar Quarterly Dates, as defined in the LME Rulebook
Minimum price fluctuation (tick size)	\$0.00500 per troy ounce	\$0.00001 per troy ounce
(Carries)	\$0.00001 per troy ounce	\$0.00001 per troy ounce
Termination of trading	The last trading time for LMEprecious silver futures shall be 16.00 London time on the Last Trading Day. The Last Trading Day for LMEprecious silver futures shall be the Business Day which is one Business Day before the Prompt Date	
Daily settlement price	The daily settlement price is determined using a waterfall methodology comprising VWAP of traded prices during the settlement window and/or other relevant data, where appropriate. It is used for margining and daily settlement purposes	
Final settlement price	The final settlement price is determined on the last business day before the prompt date	
Settlement procedure	All unallocated Precious Metal deliveries to LME Clear should be made to LME Clear's nominated Precious Metal Clearer, in accordance with the Settlement Instructions issued by LME Clear	
Margining	Realised Variation Margins applied	

¹ Defined terms used in this contract specification shall have the meaning ascribed to them in the LME Rulebook or LME Clear Rulebook (as appropriate)



The World Gold Council name and logo are a registered trademark and used with the permission of the World Gold Council pursuant to a license agreement. The World Gold Council is not responsible for the content of, and is not liable for the use of or reliance on, this material.

© The London Metal Exchange (the "LME"), 2018. The London Metal Exchange logo is a registered trademark of The London Metal Exchange.

All rights reserved. All information contained within this document (the "Information") is provided for reference purposes only. While the LME endeavours to ensure the accuracy, reliability and completeness of the Information, neither the LME, nor any of its affiliates makes any warranty or representation, express or implied, or accepts any responsibility or liability for, the accuracy, completeness, reliability or suitability of the Information for any particular purpose. The LME accepts no liability whatsoever to any person for any loss or damage arising from any inaccuracy or omission in the Information or from any consequence, decision, action or non-action based on or in reliance upon the Information.

The Information does not, and is not intended to, constitute investment advice, commentary or a recommendation to make any investment decision. The LME is not acting for any person to whom it has provided the Information. Persons receiving the Information are not clients of the LME and accordingly the LME is not responsible for providing any such persons with regulatory or other protections. All persons in receipt of the Information should obtain independent investment, legal, tax and other relevant advice before making any decisions based on the Information.

LME contracts may only be offered or sold to United States foreign futures and options customers by firms registered with the Commodity Futures Trading Commission (CFTC), or firms who are permitted to solicit and accept money from US futures and options customers for trading on the LME pursuant to CFTC rule 30.10.

THE LONDON METAL EXCHANGE
10 Finsbury Square, London EC2A 1AJ | Tel +44 (0)20 7113 8888