

To: All Members and other interested parties

Ref: 17/389

Classification: Trading

Date: 8 December 2017

Subject: **INTRODUCTION OF MAXIMUM BID-ASK RANGES FOR MARKET MAKING**

Summary

1. This Notice sets out maximum bid-ask ranges for the purposes of MiFID II Market Making Strategies.

Defined Terms

2. Terms not otherwise defined in this Notice shall have the meaning ascribed to them in the proposed revised Rules and Regulations of the LME (the “**Rulebook**” or “**LME Rulebook**”).

Background

3. The Exchange (the “**LME**”) recently issued Notice 17/386 regarding the introduction of a market making agreement to incorporate certain requirements of MiFID II. As set out in Notice 17/386, the LME has, pursuant to Article 48(2) of MiFID II and Commission Delegated Regulation EU 2017/578 of (“**RTS 8**”), required all investment firms pursuing a market making strategy on the LME to enter into a market making agreement with it.
4. Within the Rulebook, a “**Market Making Strategy**” is defined as a strategy performed by a Member or Client, when Dealing On Own Account, that involves posting Firm Quotes that are simultaneous two-way quotes of comparable size and at competitive prices relating to one or more Contracts, with the result of providing liquidity on a regular and frequent basis to the overall market. These quotes must be adhered to in the relevant Contract for at least 50% of the opening hours of each Business Day on which continuous trading takes place.



5. As per the market making agreement, firm quotes shall be deemed to have competitive prices where they are posted at or within the specified maximum bid-ask range for the relevant Contract, as such ranges are specified by the LME from time to time by Notice. This Notice sets out the applicable maximum bid-ask ranges for these purposes.

Maximum Bid-Ask Ranges

6. In paragraph 17 of Notice 17/355, the LME set out its intention to specify a maximum bid-ask range of 1 tick for all Contracts. The LME will therefore apply the maximum bid-ask ranges set out in Appendix 1 for the purposes of the MiFID II market making agreement.
7. These maximum bid-ask ranges will be subject to periodic review and will be published from time to time on the LME website.

General

8. If Members or any other interested parties have any questions regarding this Notice, please contact the LME Trading Operations department at tradingoperations@lme.com.

Peter Childs
Head of Trading Operations

cc: Board directors

Trading Committee

Ring Dealers Committee



Appendix 1

<u>Outrights</u>		
<u>Metal</u>	<u>Contract</u>	<u>Maximum Bid-Ask Spread Value (\$) (for the purposes of the LME MiFID II market making agreement)</u>
AA	Aluminium Alloy Future	\$ 0.50
AE	LME Eastern Asia Aluminium Premium Future	\$ 0.50
AU	Gold Future	\$ 0.10
AH	Primary Aluminium Future	\$ 0.50
AN	LME US Aluminium Premium Future	\$ 0.50
AS	LME South Eastern Asia Aluminium Premium Future	\$ 0.50
AG	Silver Future	\$ 0.005
AW	LME Western Europe Aluminium Premium Future	\$ 0.50
CO	Cobalt Future	\$ 5.00
CU	Copper Future	\$ 0.50
FM	Steel Billet Future - Mediterranean	\$ 0.10
LMEX	LMEX Index Future	\$ 0.25
MO	Molybdenum Future	\$ 5.00
NA	NASAAC Future	\$ 0.50
NI	Primary Nickel Future	\$ 5.00
PB	Lead Future	\$ 0.50
SC	LME Steel Scrap Future	\$ 0.50
SN	Tin Future	\$ 5.00
SR	LME Steel Rebar Future	\$ 0.50
ZN	Zinc Future	\$ 0.50



Carries		
<u>Metal</u>	<u>Contract</u>	<u>Maximum Bid-Ask Spread Value (\$) (for the purposes of the LME MiFID II market making agreement)</u>
AA	Aluminium Alloy Future	\$ 0.01
AE	LME Eastern Asia Aluminium Premium Future	\$ 0.01
AU	Gold Future	\$ 0.001
AH	Primary Aluminium Future	\$ 0.01
AN	LME US Aluminium Premium Future	\$ 0.01
AS	LME South Eastern Asia Aluminium Premium Future	\$ 0.01
AG	Silver Future	\$ 0.00005
AW	LME Western Europe Aluminium Premium Future	\$ 0.01
CO	Cobalt Future	\$ 0.01
CU	Copper Future	\$ 0.01
FM	Steel Billet Future - Mediterranean	\$ 0.01
LMEX	LMEX Index Future	\$ 0.01
MO	Molybdenum Future	\$ 0.01
NA	NASAAC Future	\$ 0.01
NI	Primary Nickel Future	\$ 0.01
PB	Lead Future	\$ 0.01
SC	LME Steel Scrap Future	\$ 0.01
SN	Tin Future	\$ 0.01
SR	LME Steel Rebar Future	\$ 0.01
ZN	Zinc Future	\$ 0.01