



4. The LME worked with the Committee to look at how trading times on the Ring could be fully utilised to meet the requirements of Ring Dealing Members (“**RDMs**”) and market participants who put business through the Ring and/or reference the prices discovered in the Ring. The Trial was intended to strengthen and enhance procedures on the Ring, particularly around the methodology for the determination of the Closing Prices. It was also the intention to use the Trial to assess how a longer PM Kerb could benefit and accommodate the increased concentration of liquidity around the close in the form of market-on-close orders (“**MOC Orders**”), particularly as the Closing Prices are determined with reference to the trading activity conducted during the PM Kerb.

Findings from the Trial

5. From discussions with the Committee, the LME believes that the longer PM Kerb Period for Zinc has:
 - a) provided market participants who use the Ring with more time to place orders and then to react to price moves in the Ring, with the ability to place counter orders;
 - b) provided more time for RDMs to execute client orders which has resulted in fewer unwanted positions on their own books. The LME is of the view that the previous 4 minutes of Carry trading may not have provided sufficient time for RDMs to transact all client MOC Orders in the Ring. The extension of the time period available for Carry trading from 4 minutes to 8 minutes was intended to strengthen the procedure where RDMs accept and guarantee the close to clients and it is evident from the Trial that there is now more time to execute the consequent client MOC Orders;
 - c) helped dealers in the Ring establish their bids and offers in a more structured manner so the market has greater clarity in assessing the correct dealer priority and price information from the Ring. This has in turn enhanced the orderliness around the discovery of the Closing Prices;
 - d) given more time to market participants to fully take into account all quotes and trading activity in the Ring which can then be referenced against orders in LMEselect. This amendment has helped to promote user choice as mandated by the LME’s Strategic Pathway; and
 - e) whilst the LME believes the split of Carry trading from 3 Months trading was an improvement to the previous structure of closing both Carries and 3 Months concurrently during the PM Kerb, the 1 minute period available for 3 Months trading is not considered to be sufficient for RDMs to transact all 3 Months orders after the close of the period available for Carry trading. The additional minute available for 3 Months trading has provided more



time for RDMs and users of the Ring to more clearly delineate time available for Carry trading and time available for 3 Months trading. This has helped RDMs collect and assess all 3 Months MOC Orders that are required to be executed in the Ring.

6. During the Trial, the average daily volumes for business transacted in the Ring during the PM Kerb Period increased by **57%** compared to the corresponding period prior to the Trial. During the Trial an average of **3406** Lots was traded on a daily basis compared to **2168** Lots prior to the Trial. This amounts to an increase of **64%** in the number of average daily transactions for business transacted in the Ring.

Next Steps

7. Following feedback from the Committee and internal analysis of trading activity during the Trial, the LME understands that the Trial has been successful and has had the desired effects for all market participants. The LME has not received any negative feedback regarding the Trial. Consequently, the LME will adopt the PM Kerb Period for Zinc on a permanent basis. The LME will also introduce a 10 minute PM Kerb for Copper, Primary Aluminium, Nickel, Lead, and Tin, comprising 8 minutes for Carry trading and 2 minutes for 3 Months trading.
8. The above revisions to the PM Kerb will result in one afternoon Ring to commence at 3.00 pm (London time) during which the Unofficial Prices will be established. The longer PM Kerb will follow R3 without the need for R4. The revised schedule for Ring trading is appended to this Notice (Appendix 1).
9. In making these changes to the schedule for Ring trading, the LME is mindful that it is today also publishing data from the electronic Nickel Closing Price trial for 3 Months Nickel (LME Notice 19/256). Depending on the outcome of the trial the LME will consider the implications on the schedule for Ring trading at the appropriate time and following market engagement and notification.

Changes to the LME Rulebook and the Matching Rules

10. In order to implement the changes set out in this Notice, the following amendments shall be made to Part 3 of the LME Rulebook:
 - (a) the removal of references to the second Ring of the second session (known as “R4”) in Regulation 3.7.2; and
 - (b) the deletion of the reference to trading activity in the fourth Ring as determining the Unofficial Closing Prices in Regulation 5.5 to be replaced with the third Ring.



11. In order to implement the changes set out in this Notice, the reference to “R4” shall be deleted in Rule 23 of the Matching Rules.
12. The amendments to the LME Rulebook and Matching Rules are set out in Appendix 2. New text is shown in bold and underlined. The amendments shall take effect from the commencement of the Effective Date.

General

13. Any queries in relation to this Notice should be directed to tradingoperations@lme.com.

Peter Childs

Head of Trading Operations

cc: Board directors

Ring Dealers Committee



Appendix 1

Revised afternoon trading schedule with one afternoon Ring and a 10 minute PM Kerb for Zinc, Copper, Lead, Nickel, Primary Aluminium and Tin:

Metal	Trading Period
Ring 3	
Lead	15:00 – 15:05
Zinc	15:05 – 15:10
Copper	15:10 – 15:15
Aluminium	15:15 – 15:20
Tin	15:20 – 15:25
Nickel	15:25 – 15:30
Alloy/NASAAC	15:30 – 15:35
Interval	15:35 – 15:50
Kerb	
Zinc (8 min / 2 min)	15:50 – 16:00
Tin (8 min / 2 min)	16:00 – 16:10
Lead (8 min / 2 min)	16:10 – 16:20
Cobalt/Molybdenum (4 min / 1 min)	16:20 – 16:25
Aluminium (8 min / 2 min)	16:25 – 16:35
Premiums/Alloy/NASAAC (4 min / 1 min)	16:35 – 16:40
Copper (8 min / 2 min)	16:40 – 16:50
Nickel (8 min / 2 min)	16:50 – 17:00



Appendix 2

Part 3 of the LME Rulebook

3.7.2 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, as detailed further in the Matching Rules: -

- “R1” for the first Ring of the first session;
- “R2” for the second Ring of the first session;
- “K1” for the ensuing kerb;
- “R3” for the first Ring of the second session;
- ~~“R4” for the second Ring of the second session;~~
- “K2” for the ensuing kerb.

5.5 At the close of the afternoon Ring trading-session the Quotations Committee shall determine the prices for metals in the same manner as provided in Regulation 5.1.1 and 5.1.2 but on the basis of trading in the ~~fourth~~ Ring **in the second session**. Such prices shall be known as “Unofficial Closing Prices” and shall be posted in the Exchange.

Rule 23 of the Matching Rules

23. Depending on the venue, the Trade Team field must be completed as follows:

- **Select** – this field is automatically populated upon the matching of relevant orders, no further action is required by Members.
- **Ring** – either “R 1-~~4~~3” if Executed during a Ring session or “K 1-2” if Executed during a kerb session.
- **Basis Ring** – either “C 1-~~4~~3” if agreed during a Ring session or “D 1-2” if agreed during a kerb session.
- **Interoffice** – the time at which the trade was agreed, and must be entered as HH:MM:SS.