

To: All members

Ref: 17/204

Classification: Consultation

Date: 12 June 2017

Subject: **DECISION NOTICE – CONSULTATION ON AMENDING THE RING DEALING REGULATIONS TO STRENGTHEN AND ENHANCE TRADING ON THE RING**

Summary

1. Following the responses received in respect of Notice 17/128 issued on 11 April 2017 (the “**Consultation Notice**”), this Notice sets out the two changes that will be made to the Ring Dealing Regulations (the “**Decision Notice**”). The changes in this Decision Notice are intended to enhance trading on the Ring by providing additional controls around price movements and thereby ensure the orderly functioning of the market.

Defined Terms

2. Capitalised terms not otherwise defined herein shall have the meaning ascribed to them in the rules and regulations of the Exchange (the “Rules”).

Background

3. The Consultation Notice proposed the following two changes which aim to provide further controls to manage price movements during Ring trading, particularly on and around the close (the “Proposals”):
 - a) ‘Buyer/seller over’ at a change in price; and
 - b) Minimum tonnage requirement for Cash and Three Months.

Consultation feedback

4. A table detailing the feedback on the Proposals, together with the Exchange’s response to such feedback is set out in Appendix 1 to this Decision Notice. The



Exchange would like to thank all Members and other interested parties that responded to the Consultation Notice.

5. The Exchange has carefully considered all the responses. The fact that any particular item raised, in any particular response, is not expressly included in the table at Appendix 1 to this Decision Notice does not indicate that the Exchange has not considered it.

Summary of Findings and Implementation

6. Having reviewed and analysed the feedback received in respect of the Proposals, the changes to the Rules set out below shall come into effect from the Business Day following the issue of this Decision Notice. The amendments made to the Rules, pursuant to the Proposals, are highlighted in red below:

Regulation 11.2.4

'11.2.4 Any bid or offer remains valid at the price unless or until there has been a change in price or the bid or offer has been expressly withdrawn. In accordance with this Regulation:

11.2.4.1 a change in price occurs when the price that is offered trades and is then bid, or vice versa, or when the price is bid higher or offered lower in conformity with the requirements of Regulation 11.3; and

11.2.4.2 if a Dealer who is bidding at a price wishes to offer at a lower price to his current bid, he must withdraw his current bid and immediately offer that same price before quoting a different price, unless a different price is quoted by another Dealer between the withdrawal by the Dealer and the new offer by that Dealer; and

11.2.4.3 if a Dealer who is offering at a price wishes to bid at a higher price to his current offer, he must withdraw his current offer and immediately bid that same price before quoting a different price, unless a different price is quoted by another Dealer between the withdrawal by the Dealer and the new bid by that Dealer; and

11.2.4.4 if a Dealer wishes to offer a price that is lower than the current bid price, he must sell all the Lots available at the bid price. He must then immediately offer that same price before quoting a different price, unless a different price is quoted by another Dealer between the trade at the bid price and the new offer by that Dealer; and



11.2.4.5 if a Dealer wishes to bid a price that is higher than the current offered price, he must buy all the Lots available at the offered price. He must then immediately bid that same price before quoting a different price unless a different price is quoted by another Dealer between the trade at the offered price and the new bid by that Dealer; and

11.2.4.6 any Dealer who is trading by open outcry will be deemed to have withdrawn his bid and/or offer should he leave the Ring.'

Regulation 11.2.16

'11.2.16.1 The Dealer who discloses the tonnage or Lots he is prepared to buy or sell is obliged to trade the full tonnage or Lots unless expressly withdrawn; and

'11.2.16.2 the Dealer who is bidding and/or offering at a price for Cash or three months for Copper, High Grade Primary Aluminium, Special High Grade Zinc, Standard Lead, Nickel, North American Special Aluminium Alloy and Aluminium Alloy during the second Ring must be prepared to deal 20 Lots unless the tonnage is stated. In the case of Tin the Dealer must be prepared to deal 5 Lots unless the tonnage is stated. Any unfilled balance up to these limits must be sold or taken from other Dealers who immediately respond to the bid or offer'.

Regulation 11.2.21

'11.2.21 during Kerb trading no Dealer may stand behind the Ring in order to trade by open-outcry if there are no Dealers from the same Member seated in the Ring unless the express permission of an employee of the Exchange who is properly authorised by the Chief Executive is obtained. During the last five minutes of Kerb trading for the close of each metal;

11.2.21.1 only the Dealer from a Member seated in the Ring may trade that metal; and

11.2.21.2 the Dealer who is bidding and/or offering at a price for a Carry between any two Prompt Dates must be prepared to deal 50 Lots unless the tonnage for the Carry is stated. The Dealer who is bidding and/or offering at a price for Cash or three months for Copper, High Grade Primary Aluminium, Special High Grade Zinc, Standard Lead, Nickel, North American Special Aluminium Alloy and Aluminium Alloy must be prepared to deal 20 Lots unless the tonnage is stated. In the case of Tin the Dealer must be prepared to deal 5 Lots unless the tonnage is stated. Any unfilled balance up to these limits must be sold to or taken from other Dealers who immediately respond to the bid or offer.'



General

7. If Members or any other interested parties have any questions or requests for further clarification regarding the implementation of any of the Proposals in this Notice, please do not hesitate to contact Peter Childs at peter.childs@lme.com or +44 (0)207 113 8200.

Peter Childs

Head of Trading Operations

cc: Board directors
Ring Dealers Committee
Trading Committee



Appendix 1

Summary of feedback and responses to the Consultation Notice