

To: All Members and other interested parties

Ref: 15/263 : A256

Date: 20 August 2015

Subject: **NEW PRODUCTS UPDATE – FEE SCHEDULES AND INCENTIVE PROGRAMMES**

Summary

1. This Notice confirms the introduction of incentive programmes for the London Metal Exchange's ("**LME**" or the "**Exchange**") new products, which are set to launch on 23 November 2015: aluminium premium contracts, steel scrap contracts and steel rebar contracts (together, the "**New Products**").

Background

2. As communicated to Members via Notice 15/023 : A023 on 14 January 2015, it is the Exchange's intention to support the launches of the New Products through a combination of market-wide incentive, market maker and liquidity provider programmes (together, the "**Incentive Programmes**"). Subject to regulatory approval, the market maker and market-wide incentive programmes for the New Products will be introduced on the day of the launch of the New Products (23 November 2015).
3. This Notice informs Members and other interested parties of the terms of the Incentive Programmes, their proposed duration and relevant eligibility criteria.
4. With this Notice, the Exchange is initiating a formal process to appoint market makers for the New Products ("**Market Makers**"). Interested eligible parties are invited to submit their proposals to sales@lme.com no later than 30 September 2015.
5. With this Notice, the Exchange is also initiating a formal process to appoint liquidity providers for the New Products ("**Liquidity Providers**"). Interested eligible parties are invited to submit applications to sales@lme.com.
6. The Incentive Programmes and launch of the New Products are subject to final regulatory approval from the Financial Conduct Authority and rule change consultations for the Exchange.
7. Market Makers may be eligible for rebates and stipends under the market making programmes. Further details of these incentives are given below.
8. Detailed contract specifications for the New Products are provided in the appendices to this Notice.



9. Subject to its regulatory requirements, the LME does not envisage introducing order to trade ratios for the New Products.
10. When used in this Notice, “group” means:
 - (a) any holding company or subsidiary company of a company;
 - (b) any company which is a subsidiary company of any holding company of that company.

The expressions holding company and subsidiary company shall have the meanings assigned to them by Section 1159 of the Companies Act 2006.

11. Capitalised terms not defined in this Notice have the meaning given to them in the Rulebook.

Fees and Incentive Programmes

12. This Notice sets out the following:
 - (a) Fee schedule for the aluminium premium contracts;
 - (b) Market-wide incentive programme for aluminium premium contracts;
 - (c) Electronic market making programme for aluminium premium contracts (“**Electronic Premium Contracts Market Maker Programme**”);
 - (d) Ring market making programme for aluminium premium contracts (“**Ring Premium Contracts Market Maker Programme**” and together with 12(c) the “**Premium Contracts Market Maker Programmes**”);
 - (e) Liquidity provider programme for aluminium premium contracts (“**Premium Contracts Liquidity Provider Programme**”);
 - (f) Fee schedule for the steel scrap and steel rebar contracts;
 - (g) Market-wide incentive programme for steel scrap and steel rebar;
 - (h) Market making programme for steel scrap and steel rebar (“**Ferrous Contracts Market Maker Programme**”); and
 - (i) Liquidity provider programme for steel scrap and steel rebar (“**Ferrous Contracts Liquidity Provider Programme**”).
13. The Exchange will run the selection processes for the Premium Contracts Market Maker Programmes and the Ferrous Contracts Market Maker Programme from the date of this Notice until 5:00pm (London time) on 30 September 2015. The Exchange proposes appointing up to five Market Makers for each one of the six contracts to commence making markets in accordance with the agreed market making parameters on the launch date of the New Products (“**Founder Market Makers**”).



14. The application period for the Premium Contracts Liquidity Provider Programme and the Ferrous Contracts Liquidity Provider Programme commences on the date of this Notice. The Exchange proposes appointing Liquidity Providers for each of the six contracts forming the New Products.
15. The LME reserves the right to review each of the Incentive Programmes every six months or more frequently if deemed appropriate.
16. The LME reserves the right to re-open the application process of each of the Incentive Programmes if deemed appropriate.

Aluminium Premium Contracts

17. As communicated to Members via Notice 15/175 : A171 : W054 on 8 June 2015, it is the Exchange's intention to launch four aluminium premium contracts on 23 November 2015 subject to (a) regulatory approval and (b) a consultation on the changes required to the LME Rules to give effect to the aluminium premium contracts. Full contract specifications are available in Appendix A. The four contracts are:

- (a) LME Aluminium US Premium;
- (b) LME Aluminium West-Europe Premium;
- (c) LME Aluminium East-Asia Premium; and
- (d) LME Aluminium South-East Asia Premium.

(each an “**Aluminium Premium Contract**” and together the “**Aluminium Premium Contracts**”)

Premium Contracts – Fee schedule

18. Subject to the terms set out in this Notice, standard LME fees will apply for all of the Aluminium Premium Contracts, set out for clarity in the table below:

Contract type	Category	Trading (USD)	Clearing (USD)	Total (USD)
Exchange	Ring/Kerb/Basis	0.25	0.25	0.50
	Non-Ring	0.65	0.25	0.90
	Give-up	0.25	0.25	0.50
Client	Short dated carries	n.a.	n.a.	n.a.
	All other	0.65	0.25	0.90
Option exercise/assignment		n.a.	n.a.	n.a.
Cash settlement fee		n.a.	n.a.	n.a.
Delivery fee		-	0.35	0.35



Premium Contracts – Market-wide Incentive Programme

19. To support the launch of the new Aluminium Premium Contracts, it is the Exchange's intention to introduce a fee holiday from the launch of the Aluminium Premium Contracts until 11:59pm (London time) on 31 December 2015. During that period the Exchange will not charge any trading or clearing fees in respect of any trading in the Aluminium Premium Contracts.
20. Until such time as the queues in all of the LME-approved warehouses reduce to 50 days or less (as per the Linked Load-In / Load-Out Rule), the Exchange will maintain an equivalence programme, whereby any market participant trading LME primary aluminium contracts will also be able to trade Aluminium Premium Contracts without incurring any trading or clearing fees on the Aluminium Premium Contract trades.
21. The Exchange will notify market participants by way of a market Notice when the queues have reduced to 50 days and therefore confirm the date on which the incentive arrangements described in paragraph 20 above shall cease to apply. Once queues have reduced to 50 days or less as reported in the Warehouse stocks and queue data report published on the 10th of each month on the LME website, charges will be introduced as of the 1st trading day of the month following publication of the report.

Premium Contracts – Market Maker Programmes

22. The Exchange is intending to launch the Premium Contracts Market Maker Programmes.
23. The purpose of the Premium Contracts Market Maker Programmes is to provide initial liquidity at launch to encourage users of the market to trade the Aluminium Premium Contracts.
24. The initial duration of the Premium Contracts Market Maker Programmes will be 12 months commencing on the launch date of the Aluminium Premium Contracts (scheduled for 23 November 2015), with the possibility of renewals based on market conditions and subject to regulatory approval.

Premium Contract Market Making Programme – Application Process

Premium Contracts Market Making Programme – Submission of Proposals

25. Members and Clients can submit a proposal to act as a Premium Contracts Market Maker quoting electronically on LMEselect ("**Electronic Premium Contracts Market Makers**").
26. Category 1 Members can additionally submit a proposal to act as a Premium Contracts Market Maker quoting in the Ring ("**Ring Premium Contract Market Makers**").



27. Interested market participants should indicate in their proposal the type of Premium Contracts Market Maker Programme for which they wish to be considered.
28. We encourage market makers to join a Premium Contracts Market Maker Programme for all Aluminium Premium Contracts. However, interested parties may submit a proposal to act in respect of one, two, three or all four of the Aluminium Premium Contracts.
29. Proposals can be submitted on behalf of a sole legal entity or on behalf of several companies, provided that they are all within the same corporate group.
30. Any interested party that is not a Member of the Exchange must submit its proposals through a Member.
31. Interested parties are required to submit full details of their market making proposals to the LME sales team at sales@lme.com by 5:00pm (London time) on 30 September 2015.
32. Each interested party must provide the following parameters for each Premium Contracts Market Maker Programme that it wishes to be considered for:
 - (a) the Premium Contracts Market Making Programme being applied for;
 - (b) the Aluminium Premium Contract(s) for which it wishes to act as Market Maker;
 - (c) the hours during which it can be present on the market;
 - (d) the percentage of those hours it will be able to provide two-way symmetrical continuous quotes of a specified spread and minimum lot size;
 - (e) the spread size; and
 - (f) the minimum lot size,(the “**Market Making Parameters**”).
33. All proposals must be supported with evidence that the firm has the ability (including internal technical systems, controls and infrastructure) to fulfil the Market Making Parameters outlined in its submission. Where a Member is applying on behalf of its Client, the Member must also demonstrate that it (the Member) has the ability (including internal technical systems, controls and infrastructure) to support the Client in fulfilling the relevant Market Making Parameters.

Electronic Premium Contract – Market Making Parameters

34. Interested parties wishing to be considered as an Electronic Premium Contracts Market Maker are invited to review the Exchange’s preferred Market Making Parameters for Electronic Premium Contracts Market Makers (“**LME Electronic Premium Market Making Parameters**”) and are requested to either exceed or match these parameters as closely as possible.



35. The LME Electronic Premium Market Making Parameters are:

- (a) Provide continuous quotes for at least 80% of the time during the trading times set out below (the “**Electronic Premium Market Making Hours**”)
 - (i) US Premium: from 1:00pm to 5:00pm (London time)
 - (ii) West-Europe Premium: from 1:00pm to 5:00pm (London time)
 - (iii) East-Asia Premium: from 5:00am to 9:00am (London time)
 - (iv) South-East Asia Premium: from 5:00am to 9:00am (London time);
- (b) Provide quotes for the front month, 2nd month and 3rd month;
- (c) Provide two-way quotes with symmetrical minimum amounts (in Lots) quoted on each side at required spreads, as detailed in (d) and (e) below;
- (d) The minimum number of Lots to be quoted on each side will be 1 Lot (25 metric tonnes) during the Electronic Premium Market Making Hours;
- (e) The required bid-offer spread is expected to be \$10 during the Electronic Premium Market Making Hours.

36. When Market Makers trade, they will be allowed a grace time period of sixty seconds to re-enter the required bid or offer, to ensure that they are maintaining their bid-offer spread notwithstanding having entered into a trade with another market participant.

Electronic Premium Contracts – LME Shortlisting Process

37. The Exchange will base its shortlist selection on the following objective criteria:

- (a) Whether the applicant can exceed the LME Electronic Premium Market Making Parameters;
- (b) Where not exceeded, the alignment between the commitments made in the applicant’s Market Making Parameters and the LME Electronic Premium Market Making Parameters; and
- (c) The evidence provided to demonstrate the applicant’s ability to meet the commitments proposed in the Electronic Premium Market Making Parameters on a regular basis.



Ring Premium Contracts – Market Making Parameters

38. Interested parties wishing to be considered as a Ring Premium Contracts Market Maker are invited to review the Exchange's preferred Market Making Parameters for Ring Premium Contracts Market Makers ("**LME Ring Premium Market Making Parameters**") set out at paragraph 39 below and are requested to either exceed or match these parameters as closely as possible.
39. The LME Ring Premium Market Making Parameters are:
- (a) In the absence of other market activity for the given contract and Prompt Date as set out in the LME Ring Premium Market Making Parameters, to provide continuous quotes for at least 80% of the time the Aluminium Premium Contracts are traded in the Ring (the "**Ring Premium Market Making Hours**"), such times being as set out below:
 - (i) Second Ring: from 1:05pm to 1:10pm (London time)
 - (ii) Kerb Trading: from 4:25pm to 4:30pm (London time);
 - (b) Provide quotes for the front month, 2nd month and 3rd month;
 - (c) Provide two-way quotes with symmetrical minimum amounts (in Lots) quoted on each side at required spreads, as detailed in (d) and (e) below;
 - (d) The minimum number of Lots to be quoted on each side will be 5 Lots (125 metric tonnes) during the Ring Premium Market Making Hours;
 - (e) The required bid-offer spread is expected to be \$10 during the Ring Premium Market Making Hours.

Ring Premium Contracts – LME Shortlisting Process

40. The Exchange will base its selection on the following objective criteria:
- (a) Whether the applicant can exceed the LME Ring Premium Market Making Parameters;
 - (b) Where not exceeded, the alignment between the commitments made in the applicant's Market Making Parameters and the LME Ring Premium Market Making Parameters; and
 - (c) The evidence provided to demonstrate the applicant's ability to meet the commitments proposed in the Market Making Parameters on a regular basis.



Electronic Premium Contracts and Ring Premium Contracts Market Making Programmes – Application Processes

41. The Exchange will contact the selected Market Makers for both the Electronic Premium Contracts Market Maker Programme and for the Ring Premium Contracts Market Maker Programme by 5:00pm (London time) on 16 October 2015 (or such other date as is announced by Notice) and will send the selected applicant (or its nominated Member where appropriate) an application form to complete. The application form will also be made available on the LME website.
42. The Member shall complete the application form and provide all relevant information which the Exchange shall require in respect of the Member or the relevant Client entity, as appropriate. It is the responsibility of the Member to ensure that all information included on the application form is complete and correct. Incorrect information will affect and possibly lengthen the application process and could affect payments under the relevant programme. The provision of false or misleading information may lead to disciplinary action under the Rulebook.
43. The decision of the Exchange will be made after the application of the shortlisting processes outlined at paragraphs 37 and 40 respectively. However, subject to the regulatory requirements applying to the Exchange, the selection of the Market Makers for each programme will be at the sole discretion of the Exchange and the Exchange retains the right to select or decline any Member or Client into the programmes.
44. The Exchange will notify the market by way of Notice once the successful applicants have been selected. The Notice will include details of the Market Making Parameters for each selected Market Maker. The Notice will also be made available on the Exchange's website. Unless instructed otherwise by the successful applicant, names of successful applicants will be disclosed in the Notice.
45. The Exchange reserves the right to appoint additional Market Makers from the original shortlist or to re-open the application processes if and when certain Market Makers cease to fulfil their market making obligations.

Premium Contracts Market Maker Programmes – Rebates and Stipends

46. A Market Maker participating in the Premium Contracts Market Maker Programmes and complying with its Market Making Parameters will be eligible for the following benefits:
 - (a) A rebate of 100% of trading and clearing fees for all relevant Premium Aluminium Contracts entered into by the Market Maker. This allows the Market Maker to hedge, in the same and other LME venues, the positions accrued while fulfilling the Market Maker Parameters;
 - (b) Eligibility to receive a monthly stipend for each Premium Aluminium Contract for which the Market Maker acts as Market Maker. Stipends are aimed at covering operational costs associated with trading Premium Aluminium Contracts. The terms of the stipend are set out below.



47. Where a Market Maker is a Member, rebates will be applied to the trading and clearing fees relating to the Exchange Contracts that are Premium Aluminium Contracts that are entered into by the Member as Market Maker in accordance with the relevant Premium Contracts Market Maker Programme. Initially, this rebate will apply to all such Exchange Contracts (across Ring, telephone and LMEselect) entered into by that Member – however, the LME reserves the right to ask the Member to identify those Exchange Contracts which are entered into for the facilitation of Client business unrelated to the Member's role as a Market Maker, and not calculate a rebate in respect of such contracts. Subject to paragraph 48 below, no rebates will be available to the Member for any Client Contracts traded by a Member.
48. Where a Market Maker is a Client, rebates will be paid to the Member identified on the Client's application form (or as notified by the Client to the Exchange from time to time) in respect of the trading and clearing fees relating to the Client Contracts and directly associated Exchange Contracts (if any) that are Premium Aluminium Contracts that are entered into by the Member in respect of its Client Market Maker, in accordance with the relevant Premium Contracts Market Maker Programme. Directly associated Exchange Contracts are only those executed on LMEselect by the Member as a result of order-routed client execution, identifiable by the Client's FIX key and tag 58. For the avoidance of doubt, the Client Market Maker may execute via a Member either by telephone or through order-routed trades to LMEselect, with all Client Contracts thus created being eligible for rebates.
49. The Exchange will not calculate rebates in respect of Client Market Makers who trade through multiple Members. The application form will require that each Client selected to act as a Market Maker identifies a single Member through which it will pursue its Market Making strategy. Whilst the Client will be free to trade on the Exchange generally through any Member, only Market Making trades initiated by the Client through the Member identified on the application form (or as notified by the Client to the Exchange from time to time) will qualify for the relevant rebates and will be included when calculating its presence on the market (for the purposes of paragraph 50 below).
50. Each full stipend will only be paid to Market Makers where they are posting two-way quotes of the specified spread and minimum lot size for 100% of the time specified in their Market Making Parameters for the relevant contract (as calculated over the course of one calendar month).
51. If the Market Maker does not meet this requirement then the stipend would be reduced proportionately, subject to a minimum requirement of 50% of the time specified in its Market Making Parameters. For the avoidance of doubt, no stipend would be paid to Market Makers quoting for less than 50% of the time specified in its Market Making Parameters (as calculated over the course of one calendar month).
52. For example, Firm A commits in its Market Making Parameters to provide two way quotes of a specified spread and minimum lot size for 80% of the time between 1:00pm-5:00pm. However, the Exchange calculates that over the course of one calendar month, Firm A was present, on average, for only 60% of the time between 1:00pm-5:00pm. Firm A has therefore been present for only 75% of the committed time period and, therefore, will receive only 75% of the stipend for that particular month.



53. Where a Market Maker is a Client, any stipend for which the Market Maker is eligible will be paid to the Member specified in the Client's application form or as otherwise notified to the Exchange by the Client from time to time.

Premium Contracts – Market Maker Payment Process

54. Trading and clearing fee rebates for Founder Market Makers in the Premium Contracts Market Making Programmes shall apply to all Contracts resulting from the Market Maker's market making activities from the launch of the relevant contract for which the Market Maker has been appointed to act as Market Maker. Should the Exchange decide to appoint additional Premium Contracts Market Makers at a later stage, trading and clearing fee rebates will apply to their eligible trades commencing on the day on which the Market Maker starts to meet the commitments made in its Market Making Parameters.
55. The Exchange shall be under no obligation to correct any underpayment of fee rebates resulting from any inaccurate information provided on the application form.
56. In respect of LMEselect trades, the Exchange shall use a FIX key, issued to the Premium Contracts Market Makers, alongside an LMEselect FIX tag 58 to track Market Makers' trading volumes. Users must ensure that both the FIX key and the FIX tag 58 client code used for order entry match the client code on the application form exactly. LMEselect traded volume transacted through a different FIX key and FIX tag 58 will not be eligible for rebates nor will they be deemed to contribute to the Premium Contracts Market Maker's trading obligations.
57. The Exchange will monitor the Premium Contracts Market Maker's performance intraday in order to assess the ongoing level of activity and at the end of the day in order to assess the daily level of activity. The final calculations for stipend eligibility will be based on the monthly average performance in order to assess whether the Premium Contracts Market Maker has met the time commitments set out in its Market Making Parameters.
58. Where a Market Maker has applied on behalf of itself and its group entities, the Exchange will aggregate traded volumes executed for that group of companies. The Exchange will only aggregate trades executed by companies previously notified to the Exchange as being within the same group as the Market Maker.
59. Rebates and stipends will be credited to Members two months in arrears. For example, Market Making activities conducted in January will be calculated in February and credited in March.
60. Where a single Member has multiple Market Maker Clients, the LME sales team will provide the Member with a breakdown of the relevant rebates and stipends, itemised per Market Maker Client.
61. Where the Market Maker is a Member, all rebates and stipends, where applicable, will be paid to the Market Maker. Where the Market Maker is a Client, all rebates and



stipends, where applicable, will be paid to the Member specified in the Market Maker’s application form or as notified by the Market Maker to the Exchange from time to time.

Premium Contracts – Liquidity Provider Programme

- 62. The Exchange will introduce a Premium Contracts Liquidity Provider Programme from 4 January 2016, following the launch of the market-wide Incentive Programme, which will offer volume based discounted rates against headline trading and clearing fees. Volumes traded in all four Premium Contracts will be pooled together with regard to the calculation of the volumes eligible for the rebates.
- 63. The headline trading and clearing fees and discounted fees will differ depending on whether the Liquidity Provider is a Member of the LME (“**Premium Contracts Member Liquidity Provider**”) or a Client (“**Premium Contracts Client Liquidity Provider**”). In respect of Premium Contracts Client Liquidity Providers, discounts will apply to the fees payable for both Client Contracts and the directly associated Exchange Contract. In respect of Premium Contracts Member Liquidity Providers, discounts will apply to the fees payable for Exchange Contracts only.
- 64. The Liquidity Provider Programme rebate is not a “cliff edge” programme. The total rebate is calculated based on the volume traded on LMEselect per threshold level.
- 65. Below the initial threshold (100 Lots) no rebates are awarded.
- 66. Under the Premium Contracts Liquidity Provider Programme, Members will receive the following rebates in respect of Client Contracts for Premium Contracts traded by their associated Premium Contracts Client Liquidity Providers, based on the following volume thresholds:

Volume thresholds for Premium Aluminium Contracts (Lots traded per month)	Rebates	Total fee including rebate per side per Lot (USD, including trading & clearing) ¹	Total rebate in respect of per Lot trading fee (USD)	Total rebate in respect of per Lot clearing fee (USD)
0-100	0%	2.70 (current client headline)	0.00	0.00
101-200	20%	2.16	0.36	0.18
201-500	30%	1.89	0.54	0.27
501-1,000	40%	1.62	0.72	0.36
Over 1,000	50%	1.35	0.90	0.45

¹ Note: amounts shown in this column include the Client Contract fee of USD 1.80 (charged at USD 0.90 per side, prior to the application of any rebate) plus an Exchange Contract executed on LMEselect or telephone (USD 0.90). It should be noted that the total fee payable may be less than USD 2.70, in the event that the Member either (i) trades on the Ring for a lower fee, or (ii) internalises the trade. Initially, the rebate will be applied to the Client Contract fee regardless of member execution strategy – however, the LME expects that Client Contracts executed under the Liquidity Provider Programme will give rise to corresponding Exchange Contract execution by members, and reserves the right to modify the above calculations if members choose to internalise risk excessively on such trades.



67. By way of explanation, taking the second line of the table above as an example:

- (a) the current total trading and clearing fee for an outright Client Contract (together with the accompanying Exchange Contract) generated through LMEselect is USD 2.70 per Lot;
- (b) where the relevant liquidity provider trades 150 Lots, the fee would be calculated as USD 2.70 for the first 100 Lots and USD 2.16 for the remaining 50 Lots; and
- (c) the resulting discount of USD 0.54 per Lot for 50 Lots will be rebated to the Member two months in arrears.

68. Under the Liquidity Provider Programme, Premium Contracts Member Liquidity Providers will receive the following rebates in respect of Exchange Contracts for Premium Aluminium Contracts traded and booked on their own house account on LMEselect only and identified though designated FIX key and tag 58, based on the following volume thresholds:

Volume thresholds for Premium Aluminium Contracts (Lots traded per month)	Rebates	Total fee including rebate per side per Lot (USD, including trading & clearing)²	Total rebate in respect of per Lot trading fee (USD)	Total rebate in respect of per Lot clearing fee (USD)
0-100	0%	0.90 (current member headline)	0.00	0.00
101-200	20%	0.72	0.12	0.06
201-500	30%	0.63	0.18	0.09
501-1,000	40%	0.54	0.24	0.12
Over 1,000	50%	0.45	0.30	0.15

69. By way of explanation, taking the second line of the table above as an example:

- (a) the current total trading and clearing fee for an outright Exchange Contract generated through LMEselect is USD 0.90 per Lot;
- (b) where the relevant liquidity provider trades 150 Lots, the fee would be calculated as USD 0.90 for the first 100 Lots and USD 0.72 for the remaining 50 Lots; and
- (c) the resulting discount of USD 0.18 per Lot for 500 Lots will be rebated to the Member two months in arrears.

² Note: amounts shown in this column include only an Exchange Contract fee of USD 0.90.



Premium Contracts – Liquidity Provider Application Process

70. Application forms can be requested from the LME sales team at sales@lme.com.
71. Applications can be submitted on behalf of a sole legal entity or on behalf of several companies provided they are all within the same corporate group. Any interested party that is not a Member of the Exchange must submit its application form through a Member.
72. The Member shall complete the application form and provide all information which the Exchange shall require. It is the responsibility of the Member to ensure that all information included on the application form is complete and correct. Incorrect information will affect and possibly lengthen the application process and could affect payments under the relevant Programme. The provision of false or misleading information may lead to disciplinary action under the Rulebook.

Premium Contracts – Liquidity Provider Rebate Process

73. Where written approval of acceptance as a liquidity provider is granted on or before the 14th day of a month, all rebates shall be back dated to apply to Contracts executed from the first trading day of that month.
74. Where written approval of acceptance as a liquidity provider is granted on or after the 15th day of a month, rebates shall only apply to Contracts executed from the first trading day of the following month.
75. The Exchange shall be under no obligation to correct any underpayment of fee rebates resulting from inaccurate applications.
76. In respect of LMEselect trading, the Exchange shall use a FIX key, issued to the applicants, alongside an LMEselect FIX tag 58 to track participants' trading volume. Users must ensure that both the FIX key and the FIX tag 58 Client code used for order entry match the Client code on the application exactly. LMEselect traded volume transacted through a different FIX key and FIX tag 58 will not be included.
77. Where a Premium Contracts Liquidity Provider has applied on behalf of itself and its group entities, the Exchange will aggregate traded volumes executed for that group of companies. The Exchange will only aggregate trades executed by companies previously notified to the Exchange as being within the same group as the Premium Contracts Liquidity Provider.
78. In respect of LMEselect trades, if a Premium Contracts Liquidity Provider makes changes to the FIX key and / or the FIX tag 58 or clearing arrangements which were detailed in the application form, it is the responsibility of the Member to provide the Exchange with formal notification of amendments at least two weeks before the amendment. Changes made with less than two weeks' notice (starting the Business Day after the notice is given) will not be included in the rebate.
79. Exchange fees will be billed to the Member as currently set up. The Exchange will then calculate the rebates due to the Member the following month. Rebates will be credited



to Members' accounts two months from when the rebates were traded. For example, trades registered in January will be calculated in February and credited in March.

New Ferrous Suite

80. As communicated to LME Members via Notice 15/175 : A171 : W054 on 8 June 2015, it is the Exchange's intention to launch two new ferrous contracts on 23 November 2015: steel scrap ("**Steel Scrap**") and steel rebar ("**Steel Rebar**") (each a "**Ferrous Contract**" and together the "**Ferrous Contracts**"). Full contract specifications are available in Appendices B and C.

Ferrous Contracts – Fee schedule

81. The fee schedule for Steel Scrap and Steel Rebar has been adjusted from the standard LME fee schedule to reflect the lower notional value of these contracts compared to LME contracts for base metals.

82. Transaction Fees (per leg per side per Lot) for each of the Ferrous Contracts are as follows:

Contract type	Category	Trading (USD)	Clearing (USD)	Total (USD)
Exchange	Ring/Kerb/Basis	n.a.	n.a.	n.a.
	Non-Ring	0.07	0.03	0.10
	Give-up	0.03	0.03	0.06
Client	Short-dated carries	n.a.	n.a.	n.a.
	All other	0.07	0.03	0.10
Option exercise/assignment		n.a.	n.a.	n.a.
Cash settlement fee		-	0.02	0.02
Delivery fee		n.a.	n.a.	n.a.

Ferrous Contracts – Market-wide Incentive Programme

83. To support the launch of the new Steel Scrap and Steel Rebar contracts, it is the Exchange's intention to introduce a fee holiday from the launch of the Ferrous Contracts until 11:59pm (London time) on 31 December 2015. During that period the Exchange will not charge any trading or clearing fees in respect of any trading in the Ferrous Contracts.

Ferrous Contracts – Market Maker Programme

84. The Exchange is intending to launch the Ferrous Contracts Market Maker Programme.



85. The purpose of the Ferrous Contracts Market Maker Programme is to provide initial liquidity at launch to encourage users of the market to trade the new Ferrous Contracts.
86. The initial intended duration of the programme will be 12 months commencing on the launch date of the Ferrous Contracts (scheduled for 23 November 2015), with the possibility of renewals based on market conditions and subject to regulatory approval.

Ferrous Contracts Market Maker Programme – Application Process

Ferrous Contracts Market Maker Programme – Submission of Proposals

87. There are up to a maximum of 5 market making slots available for each of the Ferrous Contracts.
88. All interested parties are eligible to bid to become Market Makers in one or both of the Ferrous Contracts.
89. Firms wishing to apply to participate in the Ferrous Contracts Market Maker Programme (“**Ferrous Contracts Market Makers**”) are encouraged to act as Market Makers in respect of both Ferrous Contracts.
90. Interested parties are required to submit full details of their market making proposals to the LME sales team at sales@lme.com by 5:00pm London time on 30 September 2015. Any interested party is required to provide the following parameters for each Ferrous Contract it wishes to be considered for:
 - (a) the Ferrous Contract for which it wishes to be considered;
 - (b) the hours during which it can be present on the market;
 - (c) the percentage of those hours it will be able to provide two-way symmetrical continuous quotes of a specified spread and minimum lot size;
 - (d) the spread size; and
 - (e) the minimum lot size,(the “**Market Making Parameters**”).
91. All proposals must be supported with evidence that the firm has the ability (including internal technical systems, controls and infrastructure) to fulfil the Market Making Parameters outlined in its submission. Where an LME Member is applying on behalf of its Client, the Member must also demonstrate that it (the Member) has the ability (including internal technical systems, controls and infrastructure) to support the Client in fulfilling the relevant Market Making Parameters.
92. Proposals can be submitted on behalf of a sole legal entity or on behalf of several companies provided they are all within the same corporate group.



93. Any interested party that is not a Member of the LME must submit its proposals through an LME Member.
94. The parameters of the Ferrous Contracts Market Maker Programme only refer to electronic quotes on LMEselect. Quoting for or trading Ferrous Contracts on any other platform will not contribute to the fulfilment of the Market Making Parameters.
95. Interested parties are invited to review the Exchange's preferred Market Making Parameters set out at paragraph 96 below (the "**LME Ferrous Market Making Parameters**") and are requested to either exceed or match these parameters as closely as possible.
96. The LME Ferrous Market Making Parameters are:
- (a) Provide continuous quotes for at least 80% of the time between 1:00pm to 5:00pm London time (the "**Market Making Hours**");
 - (b) Provide continuous quotes for 95% of the time during a 5 minute Volume Weighted Average Price (VWAP)³ period within the Market Making Hours. The VWAP period will be on each trading day between 4:25pm to 4:30pm London time;
 - (c) Provide quotes which comply with the obligations set out at (d), (e) and (f) below for the front month, 2nd month and 3rd month for each relevant Ferrous Contract;
 - (d) Provide two-ways quotes with symmetrical minimum amounts (in Lots) quoted on each side at required spreads, as detailed in (e) below;
 - (e) The required bid-offer spread will be \$5 during the VWAP period and \$10 during the remainder of the Market Making Hours;
 - (f) The minimum number of Lots required to be quoted on each side will be 5 Lots (50 metric tonnes) during the VWAP period and 10 Lots (100 metric tonnes) during the remainder of the Market Making Hours.
97. When Ferrous Market Makers trade, they will be allowed a grace period of sixty seconds to re-enter the required bid or offer, to maintain their Market Making mandate. In the case of trades executed during a VWAP period, this grace period is reduced to thirty seconds.

Ferrous Contracts Market Maker Programme – LME Shortlisting Process

98. The Exchange will base its shortlist selection on the following objective criteria:
- (a) Whether the applicant can exceed the LME Ferrous Contracts Market Making Parameters;

³ The daily settlement prices for the LME Ferrous contracts are to be calculated based on a Volume Weighted Average Price (VWAP) methodology applied to transactions on LMEselect. Further details on this will be published on the LME website.



- (b) Where not exceeded, the alignment between the commitments made in the applicant's Market Making Parameters and the LME Ferrous Contracts Market Making Parameters; and
- (c) The evidence provided to demonstrate the applicant's ability to meet the commitments proposed in the Market Making Parameters on a regular basis.

Ferrous Contracts Market Making Programmes – Application Processes

99. The Exchange will contact the selected Founder Market Makers for the Ferrous Contracts Market Maker Programme by 5:00pm (London time) on 16 October 2015 (or such other date as is announced by Notice) and will send the selected applicant (or its nominated Member where appropriate) an application form to complete. The application form will also be made available on the LME website.
100. The Member shall complete the application form and provide all relevant information which the Exchange shall require in respect of the Member or the relevant Client entity, as appropriate. It is the responsibility of the Member to ensure that all information included on the application form is complete and correct. Incorrect information will affect and possibly lengthen the process and could affect payments under the relevant programme. The provision of false or misleading information may lead to disciplinary action under the Rulebook.
101. The decision of the Exchange will be made after the application of the shortlisting process outlined at paragraph 98 above. However, subject to the regulatory requirements applying to the Exchange, the selection of the Market Makers for the programme will be at the sole discretion of the Exchange and the Exchange retains the right to select or decline any Member or Client application into the programme.
102. The Exchange will notify the market by way of Notice once the successful applicants have been selected. The Notice will include details of the Market Making Parameters for each selected Market Maker. The Notice will also be made available on the Exchange's website. Unless instructed otherwise by the successful applicant, names of successful applicants will be disclosed in the Notice.
103. The Exchange reserves the right to appoint additional Market Makers from the original shortlist or to re-open the application process if and when certain Market Makers cease to fulfil their market making obligations.

Ferrous Contracts – Rebates and Stipends

104. A Market Maker participating in the Ferrous Contracts Market Maker Programme and complying with its Market Making Parameters will be eligible for the following benefits:
 - (a) A rebate of 100% of trading and clearing fees associated with the contracts entered into by the Market Maker for each Ferrous Contract for which the Market Maker acts as Market Maker. This allows the Market Maker to hedge, in the same or other LME venues, the positions accrued while fulfilling the Market Maker Parameters;



(b) Eligibility to receive a monthly stipend for each Ferrous Contract for which the Market Maker acts as Market Maker. Stipends are aimed at covering operational costs associated with trading the new Ferrous Contracts. The terms of the stipend are set out below.

105. Where a Market Maker is a Member, rebates will be applied to the trading and clearing fees relating to the Exchange Contracts that are Ferrous Contracts that are entered into by the Member as Market Maker in accordance with the relevant Ferrous Contracts Market Maker Programme. Initially, this rebate will apply to all Exchange Contracts (across telephone and LMEselect) entered into by that Member – however, the LME reserves the right to ask the Member to identify those Exchange Contracts which are entered into for the facilitation of Client business unrelated to the Member's role as a Market Maker, and not calculate a rebate in respect of such contracts. Subject to paragraph 106 below, no rebates will be available to the Member for any Client Contracts traded by a Member.
106. Where a Market Maker is a Client, rebates will be paid to the Member identified on the Client's application form (or as notified by the Client to the Exchange from time to time) in respect of the trading and clearing fees relating to the Client Contracts and directly associated Exchange Contracts (if any) that are Ferrous Contracts that are entered into by the Member in respect of its Client Market Maker, in accordance with the relevant Ferrous Contracts Market Maker Programme. Directly associated Exchange Contracts are only those executed on LMEselect by the Member as a result of order-routed client execution, identifiable by the Client's FIX key and tag 58. For the avoidance of doubt, the Client Market Maker may execute via a Member either by telephone or through order-routed trades to LMEselect, with all Client Contracts thus created being eligible for rebates.
107. The Exchange will not calculate rebates in respect of Client Market Makers who trade through multiple Members. The application form will require that each Client selected to act as a Market Maker identifies a single Member through which it will pursue its Market Making strategy. Whilst the Client will be free to trade on the Exchange generally through any Member, only Market Making trades initiated by the Client through the Member identified on the application form (or as otherwise notified to the Exchange) will qualify for the relevant rebates and will be included when calculating its presence on the market (in particular for the purposes of paragraph 108 below).
108. Each full stipend will only be paid where Market Makers are posting two-way quotes of the specified spread and minimum lot size for 100% of the time specified in their Market Making Parameters for the relevant contract (as calculated over the course of one calendar month).
109. If the Market Maker does not meet this requirement then each stipend would be reduced proportionately, subject to a minimum requirement of 50% of the time specified in their Market Making Parameters. For the avoidance of doubt, no stipend would be paid to Market Makers quoting for less than 50% of the time specified in their Market Making Parameters (as calculated over the course of one calendar month).
110. For example, Firm A has committed in its Market Making Parameters to provide two way quotes of a specified spread and minimum lot size for 80% of the time between



1:00pm-5:00pm. However, the Exchange calculates that over the course of one calendar month, Firm A was present, on average, for only 60% of the time between 1:00pm-5:00pm. Firm A has therefore been present for only 75% of Market Making Hours and will receive only 75% of the stipend for that particular month.

111. The Ferrous Contracts Market Makers will also be eligible to participate in a dedicated Economic Benefit Programme as described more fully below.
112. Where a Market Maker is a Client, any stipend for which the Market Maker is eligible will be paid to the Member specified in the Client's application form or as otherwise notified to the Exchange by the Client from time to time.

Ferrous Contracts – Market Maker Payment process

113. Trading and clearing fee rebates for Founder Market Makers in the Ferrous Contracts Market Making Programme shall apply to all Contracts resulting from the Market Maker's market making activities from the launch of the contract. Should the Exchange decide to appoint additional Ferrous Contracts Market Makers at a later stage, trading and clearing fee rebates will apply to all Contracts resulting from the Market Maker's market making activities from the day the Market Maker starts to make markets and meet the commitments made in its Market Making Parameters. No trading or clearing fees for Contracts entered into before this point will be eligible for a rebate. The Exchange currently envisages only the Founder Market Makers will be eligible for the Economic Benefit Programme.
114. The Exchange shall be under no obligation to correct any underpayment of fee rebates resulting from any inaccurate information provided on the application form.
115. In respect of LMEselect trades, the Exchange shall use a FIX key, issued to the Ferrous Contracts Market Makers, alongside an LMEselect FIX tag 58 to track Ferrous Contracts Market Makers' trading volumes. Users must ensure that both the FIX key and the FIX tag 58 client code used for order entry match the client code on the application form exactly. LMEselect traded volume transacted through a different FIX key and FIX tag 58 will not be eligible for rebates nor will they be deemed to contribute to the Ferrous Contracts Market Maker's trading obligations.
116. Where a Market Maker has applied on behalf of itself and its group entities, the Exchange will aggregate traded volumes executed for that group of companies. The Exchange will only aggregate trades executed by companies previously notified to the Exchange as being within the same group as the Market Maker.
117. Rebates and stipends will be credited to Members two months in arrears. For example, Market Making activities conducted in January will be calculated in February and credited in March.
118. Where a single Member has multiple Market Maker Clients, the LME sales team will provide the Member with a breakdown of the relevant rebates and stipends, itemised per Market Maker Client.



119. Where the Market Maker is a Member all rebates and stipends, where applicable, will be paid to the Market Maker. Where the Market Maker is a Client, all rebates and stipends, where applicable, will be paid to the Member specified in the Market Maker's application form or as notified by the Client to the Exchange from time to time.

Ferrous Contracts – Economic Benefit Programme

120. The Economic Benefit Programme is a proposal to share up to 25% of net revenues from each of the Ferrous Contracts (the "Allocable Net Revenue") with the Founder Market Makers of each of the Ferrous Contracts Market Making Programme ("Ferrous Contracts Founder Market Makers") subject to each Ferrous Contracts Founder Market Maker continuing to meet the commitments made in their Market Making Parameters. The Exchange currently envisages that only the Ferrous Contracts Founder Market Makers will be eligible for the Economic Benefit Programme. For these purposes, net revenues are the collected revenues calculated over the course of one calendar month, less fees owed to the index price provider and stipends and rebates associated with the Ferrous Contracts Market Making Programme for that month. Please refer to Notice 15/175 : A171 : W054 for further details on the index price provider.
121. The percentage of the Allocable Net Revenue owed to each Ferrous Contracts Founder Market Maker will correspond to the percentage of total traded volume that has been traded by that Ferrous Contracts Founder Market Maker in the relevant Ferrous Contract for the relevant month.
122. Total traded volume is the total number of Lots traded by the Ferrous Contract Founder Market Makers in each Ferrous Contract, where the counterparty to the trade is not a Ferrous Contracts Market Maker. The volume will be calculated over the course of the relevant calendar month.
123. The Economic Benefit Programme will commence on 4 January 2016.
124. Payments will be made only where the Allocable Net Revenue is higher than zero.
125. Ferrous Contracts Founder Market Makers will not be required to pay money to the Exchange in the event that the Allocable Net Revenue is below zero.
126. The Exchange envisages that the Economic Benefit Programme will remain active until 31 December 2018, subject to regulatory approval and to the continuation of the related Market Maker Programme.
127. Notwithstanding paragraph 126 above, the Exchange retains the sole discretion to review, amend or terminate the Economic Benefit Programme at any time.
128. Any Ferrous Contracts Founder Market Maker that, for whichever reason, stops being a Ferrous Contracts Founder Market Maker will also cease to participate in the Economic Benefit Programme.
129. An indicative example of the Economic Benefit Programme is given at Appendix D.



Ferrous Contracts – Liquidity Provider Programme

130. The Exchange will introduce the Ferrous Contracts Liquidity Provider Programme from 4 January 2016, following the launch of the market-wide Incentive Programme, which will offer volume based discounted rates against headline trading and clearing fees. Volumes traded in Steel Scrap and Steel Rebar will be aggregated when calculating the volume threshold achieved.
131. The headline trading and clearing fees and discounted fees will differ depending on whether the liquidity provider is a Member of the LME (“**Ferrous Contracts Member Liquidity Provider**”) or a Client (“**Ferrous Contracts Client Liquidity Provider**”). Discounts will apply to the fees payable for both Client Contracts and the directly associated Exchange Contract where the relevant Client is a Ferrous Contracts Client Liquidity Provider.
132. The Ferrous Contracts Liquidity Provider Programme rebate is not a “cliff edge” programme. Rather, the total rebate is calculated based on the volume traded on LMEselect per threshold level.
133. Below the initial threshold (1,000 Lots), no rebates are awarded.
134. Under the Ferrous Contracts Liquidity Provider Programme, Members will receive the following rebates in respect of Client Contracts for Ferrous Contracts traded by their associated Ferrous Contracts Client Liquidity Providers, based on the following volume thresholds:

Volume thresholds for Ferrous Contracts (Lots traded per month)	Rebates	Total fee including rebate per side per Lot (USD, including trading & clearing)⁴	Total rebate in respect of per Lot trading fee (USD)	Total rebate in respect of per Lot clearing fee (USD)
0-1,000	0%	0.300 (current client headline)	0.000	0.000
1,001-2,000	20%	0.240	0.042	0.018
2,001-5,000	30%	0.210	0.063	0.027
5,001-10,000	40%	0.180	0.084	0.036
Over 10,000	50%	0.150	0.105	0.045

135. By way of explanation, taking the second line of the table above as an example:

⁴Note amounts shown in this column include the Client Contract fee of USD 0.200 (charged at USD 0.100 per side, prior to the application of any rebate) plus an Exchange Contract executed on LMEselect or telephone (USD 0.100). It should be noted that the total fee payable may be less than USD 0.300, in the event that the Member internalises the trade. Initially, the rebate will be applied to the Client Contract fee regardless of member execution strategy – however, the LME expects that Client Contracts executed under the Liquidity Provider Programme will give rise to corresponding Exchange Contract execution by Members, and reserves the right to modify the above calculations if members choose to internalise risk excessively on such trades.



- (a) the current total trading and clearing fee for an outright Client Contract (together with the accompanying Exchange Contract) generated through LMEselect is USD 0.300 per Lot;
- (b) where the Ferrous Contracts Client Liquidity Provider trades 1,500 Lots, the fee would be calculated as USD 0.300 for the first 1,000 Lots and USD 0.240 for the remaining 500 Lots; and
- (c) the resulting discount of USD 0.060 per Lot for 500 Lots will be rebated to the Member specified in the Ferrous Contracts Client Liquidity Provider's application form two months in arrears.

136. Under the Ferrous Contracts Liquidity Provider Programme, Ferrous Contracts Member Liquidity Providers will receive the following rebates in respect of Exchange Contracts for Ferrous Contracts, traded and booked on their own house account on LMEselect only and identified through designated FIX key and tag 58, based on the following volume thresholds:

Volume thresholds for Ferrous Contracts (Lots traded per month)	Rebates	Total fee including rebate per side per Lot (USD, including trading & clearing) ⁵	Total rebate in respect of per Lot trading fee (USD)	Total rebate in respect of per Lot clearing fee (USD)
0-1,000	0%	0.100 (current member headline)	0.000	0.000
1,001-2,000	20%	0.080	0.014	0.006
2,001-5,000	30%	0.070	0.021	0.009
5,001-10,000	40%	0.060	0.028	0.012
Over 10,000	50%	0.050	0.035	0.015

137. By way of explanation, taking the second line of the table above as an example:

- (a) the current total trading and clearing fee for an outright Exchange Contract generated through LMEselect is USD 0.100 per Lot;
- (b) where the relevant individual trader trades 1,500 Lots, the fee would be calculated as USD 0.100 for the first 1,000 Lots and USD 0.080 for the remaining 500 Lots; and
- (c) the resulting discount of USD 0.020 per Lot for 500 Lots will be rebated to the Member two months in arrears

Ferrous Contracts – Liquidity Provider Application Process

138. Applications are welcome from all interested parties.

⁵ Note: amounts shown in this column include only an Exchange Contract fee of USD 0.100.



139. Application forms can be requested from the LME sales team at sales@lme.com.
140. Applications can be submitted on behalf of a sole legal entity or on behalf of several companies provided they are all within the same corporate group.
141. Any interested party that is not a Member must submit their application form through a Member.
142. The Member shall complete the application form and provide all relevant information which the Exchange shall require in respect of the relevant Client entity or individual. It is the responsibility of the Member to ensure that all information included on the application form is complete and correct. Incorrect information will affect and possibly lengthen the application process and could affect payments under the relevant Programme. The provision of false or misleading information may lead to disciplinary action under the Rulebook.

Ferrous Contracts – Liquidity Provider Rebate Process

143. Where written approval is granted on or before the 14th day of a month, all rebates shall be back dated to apply to Contracts executed from the first trading day of that month.
144. Where written approval is granted on or after the 15th day of a month, rebates shall only apply to Contracts executed from the first trading day of the following month.
145. The Exchange shall be under no obligation to correct any underpayment of fee rebates resulting from inaccurate applications.
146. In respect of LMEselect trading, the Exchange shall use a FIX key, issued to the applicants, alongside an LMEselect FIX tag 58 to track participants' trading volume. Users must ensure that both the FIX key and the FIX tag 58 Client code used for order entry match the Client code on the application exactly. LMEselect traded volume transacted through a different FIX key and FIX tag 58 will not be included.
147. Where a Ferrous Contracts Client Liquidity Provider or a Ferrous Contracts Member Liquidity Provider (a "**Ferrous Contracts Liquidity Provider**") has applied on behalf of itself and its group entities, the Exchange will aggregate traded volumes executed for that group of companies. The Exchange will only aggregate trades executed by companies previously notified to the Exchange as being within the same group as the liquidity provider.
148. In respect of LMEselect trades, if a Ferrous Contracts Liquidity Provider makes changes to the FIX key and / or the FIX tag 58 or clearing arrangements which were detailed in the application form, it is the responsibility of the Member to provide the Exchange with formal notification of amendments at least two weeks before the amendment. Changes made with less than two weeks' notice (starting the Business Day after the notice is given) will not be included in the rebate.
149. Exchange fees will be billed to the Member as currently set up. The Exchange will then calculate the rebates due to the Member the following month. Rebates will be credited



to Members' accounts two months from when the rebates were traded. For example, trades registered in January will be calculated in February and credited in March.

150. For Member Liquidity Providers, all rebates will be paid to the Member. For Client Liquidity Providers, all rebates will be paid to the Member specified in the application form or as notified by the Client to the Exchange from time to time.

Terms applying to all Incentive Programmes

151. Members have the ability to add multiple FIX tag 58 client codes to the pre-trade risk management system.
152. Subject to any applicable regulatory requirements, the LME order to trade ratio calculations will be waived in each of the Incentive Programmes.
153. If a Market Maker or Liquidity Provider proposes making changes to the details it originally provided in its application form, it is the responsibility of the relevant Member to provide the Exchange with at least two weeks' notice before such changes are made. Changes made with less than two weeks' notice (starting the Business Day after the notice is given) will not be included until a two week period has expired. This may affect the payment of rebates and stipends.

Rulebook

154. The Incentive Programmes shall be subject to the terms and conditions set out in the Rulebook, including, without limitation, Regulation 17 of Part 2 of the Rulebook.

Limits, Term and Termination of Incentive Programmes

155. The Exchange reserves the right to limit the number of participants in the Incentive Programmes or include other such limits, restrictions, conditions or clarifications as it may specify by Notice from time to time.
156. The Incentive Programmes shall be available for an initial term of 12 months from the launch of the New Products. The Exchange shall specify by Notice prior to the expiration of the initial term whether it intends to extend the duration of any of the programmes. Any extension of the duration of the programmes will depend on, amongst other things, regulatory approval.
157. Without prejudice to paragraph 156 above, the Exchange reserves the right to restrict, suspend or terminate the Incentive Programmes at any time by Notice.
158. The Exchange retains the discretion to remove any participant from an Incentive Programme where it is required to do so in order to ensure continued compliance with its regulatory requirements.



159. In the case of the Premium Contracts Market Maker Programmes and the Ferrous Contracts Market Maker Programme, the Exchange retains the discretion to remove any participant where it ceases to meet the commitments set out in their Market Making Parameters.
160. Under the Incentive Programmes, the Exchange will not calculate rebates in respect of Client Contracts initiated by Clients who trade through multiple Members. The application form will ensure each Client under an Incentive Programme is associated with one Member only. Only those Client Contracts initiated by such Clients through that single Member will qualify for the relevant rebates and will count towards the time commitment calculation.

No Direct Relationship Between the Exchange and Client

161. The benefits under the Incentive Programmes are made available by the Exchange to the relevant Member. It is the responsibility of the Member and the relevant Clients to determine between them the basis and extent to which any benefits under these programmes may be passed on to the relevant Client or individual trader. The Exchange has no responsibility to any Client or individual trader for any passing on of such benefits by the Member. In the event that any Client or individual trader does not receive the benefit of any rebate or stipend made available by the Exchange to a Member, this is solely a matter between the Member and the relevant Client or individual trader and no party shall have any claim or right of recourse against the Exchange.

Questions

162. The Exchange encourages all interested parties to contact the LME Product Development Team via email on premiums@lme.com or ferrous@lme.com for more information about the New Contracts or Incentive Programmes.

A handwritten signature in black ink, appearing to read 'Oscar Wehtje'.

Oscar Wehtje
Head of Product Development

cc: Board Directors
User Committee
All metals committees
Physical Market Committee
Warehousing Committee
Ring Dealers Committee
Trading Committee



Appendix A: LME Aluminium Premiums – Contract Specifications

Contract specification	Description			
Contract names & codes	LME Aluminium US Premium AN	LME Aluminium West-Europe Premium AW	LME Aluminium East-Asia Premium AE	LME Aluminium South-East Asia Premium AS
Regions	Midwest, Northeast and South US regions (as per US Census Bureau)	Western Europe (as per UN Geoscheme M49 classification)	Eastern Asia (as per UN Geoscheme M49 classification)	South-Eastern Asia (as per UN Geoscheme M49 classification)
Underlying metal	High grade primary aluminium premium warrant in the designated region			
Lot size	25 tonnes			
Prompt dates	Third Wednesday of each maturity month, subject to trading regulations			
Maturity months	Monthly out to 15 months			
Price quotation	US dollars per tonne			
Clearable currencies	US dollar			
Position limits	An appropriate position management regime will be implemented			
Minimum price fluctuation (tick size) per tonne	Tick sizes to follow the main LME aluminium contract:			
	Venue	Outright	Carries	
	Ring	\$0.50	\$0.01	
	LMEselect	\$0.50	\$0.01	
	Inter-office	\$0.01	\$0.01	
Last trading day and time	By 19.00 (London local time) two business days before the third Wednesday of the contract month trading in the expiring contract			
Settlement type	Physically delivered <i>Seller provides:</i> LME aluminium premium warrant in the designated region <i>Buyer provides:</i> Any LME aluminium warrant, PLUS the premium cash as agreed at contract formation, LESS the premium aluminium FOT charge at the warehouse where the LME aluminium premium warrant is delivered			
Trading venues	Ring, LMEselect, inter-office telephone			
Trading hours	Ring: 5 minutes for all regions at end of Ring 2 for Official Prices and Afternoon Kerb for Closing Prices LMEselect: 01:00 – 19:00 London local time Inter-office: 24 hours a day			
Margining	Initial and contingent variation margins applied per LME Clear risk management parameters			



Appendix B: LME Steel Scrap – Contract Specifications

Contract specifications	Description		
Contract names & codes	LME Steel Scrap		SC
Contract type	Futures		
Delivery type	Cash settled		
Lot size	10 tonnes		
Contract period	Monthly out to 15 months		
Price quotation	US dollars per tonne		
Clearable currencies	US dollar		
Minimum price fluctuation (tick size) per tonne	Venue	Outright	Carries
	Ring	N/A	N/A
	LMeselect	\$0.50	\$0.01
	Inter-office	\$0.01	\$0.01
Termination of trading	Last business day of the contract month until 13:30 London time		
Daily settlement procedure	LME Market Operations will calculate daily settlement values based on its published procedure		
Final settlement procedure	Final settlement, following termination of the trading for a contract month, will be based on the Monthly Average Index Price of the “TSI Scrap HMS#1 and HMS#2, 80:20 Turkish Imports CFR Iskenderun Port” Index, which is available from 13:30 on the last trading day		
Trading venues	LMeselect and inter-office telephone		
Trading hours	Ring	N/A	
	LMeselect	01:00 – 19:00 London time	
	Inter-office	24 hours a day	
Margining	Realised variation margins applied		



Appendix C: LME Steel Rebar – Contract Specifications

Contract specifications	Description		
Contract names & codes	LME Steel Rebar	SR	
Contract type	Futures		
Delivery type	Cash settled		
Lot size	10 tonnes		
Contract period	Monthly out to 15 months		
Price quotation	US dollars per tonne		
Clearable currencies	US dollar		
Minimum price fluctuation (tick size) per tonne	Venue	Outright	Carries
	Ring	N/A	N/A
	LMeselect	\$0.50	\$0.01
	Inter-office	\$0.01	\$0.01
Termination of trading	Last business day of the contract month until 16:30 London time		
Daily settlement procedure	LME Market Operations will calculate daily settlement values based on its published procedure		
Final settlement procedure	Final settlement, following termination of the trading for a contract month, will be based on the Monthly Average Index Price of the “Platts Rebar, Turkish exports, FOB Turkey port” Index, which is available from 16:30 on the last trading day		
Trading venues	LMeselect and inter-office telephone		
Trading hours	Ring	N/A	
	LMeselect	01:00 – 19:00 London time	
	Inter-office	24 hours a day	
Margining	Realised variation margins applied		



Appendix D: Scenario analysis for the Economic Benefit Programme

Key assumptions

- Ferrous Contracts Founder Market Makers assumed to execute 40% of volumes traded on the Exchange
- Ferrous Contract Liquidity Provider Programme excluded from the assumptions
- Incentives assumed as per described in this Notice

Any interested party wishing to understand the Exchange's modelling approach in greater detail, including assumptions, is welcome to contact the Exchange to arrange such a discussion. This analysis is presented to assist market participants. The Exchange takes no responsibility for any errors or omissions contained in it and accordingly market participants should not rely on it. Market participants are encouraged to undertake their own analysis to form their own view on such matters.

Indicative scenario (monthly)

	# of Lots	USD
Lots traded by Market Makers	600,000	0
Lots traded by non-Market Makers	900,000	\$ 270,000
Total Lots traded in a month	1,500,000	\$ 270,000
		USD
Revenues LME+LMEC		\$ 270,000
Deductions for index provider fees and stipends		\$ -85,200
Net revenues post index provider fees and stipends		\$ 184,800
Economic benefit to Market Makers		\$ -46,200
LME+LMEC revenues post Market Makers		\$ 138,600

Economic benefit allocation to Founder Market Makers	# of Lots⁶	%	USD
Market Maker 1	240,000	40%	\$ 18,480
Market Maker 2	168,000	28%	\$ 12,936
Market Maker 3	120,000	20%	\$ 9,240
Market Maker 4	48,000	8%	\$ 3,696
Market Maker 5	24,000	4%	\$ 1,848
Total	600,000	100%	\$ 46,200

⁶ Note market maker to market maker trades are excluded