

# LMEprecious

March 2019



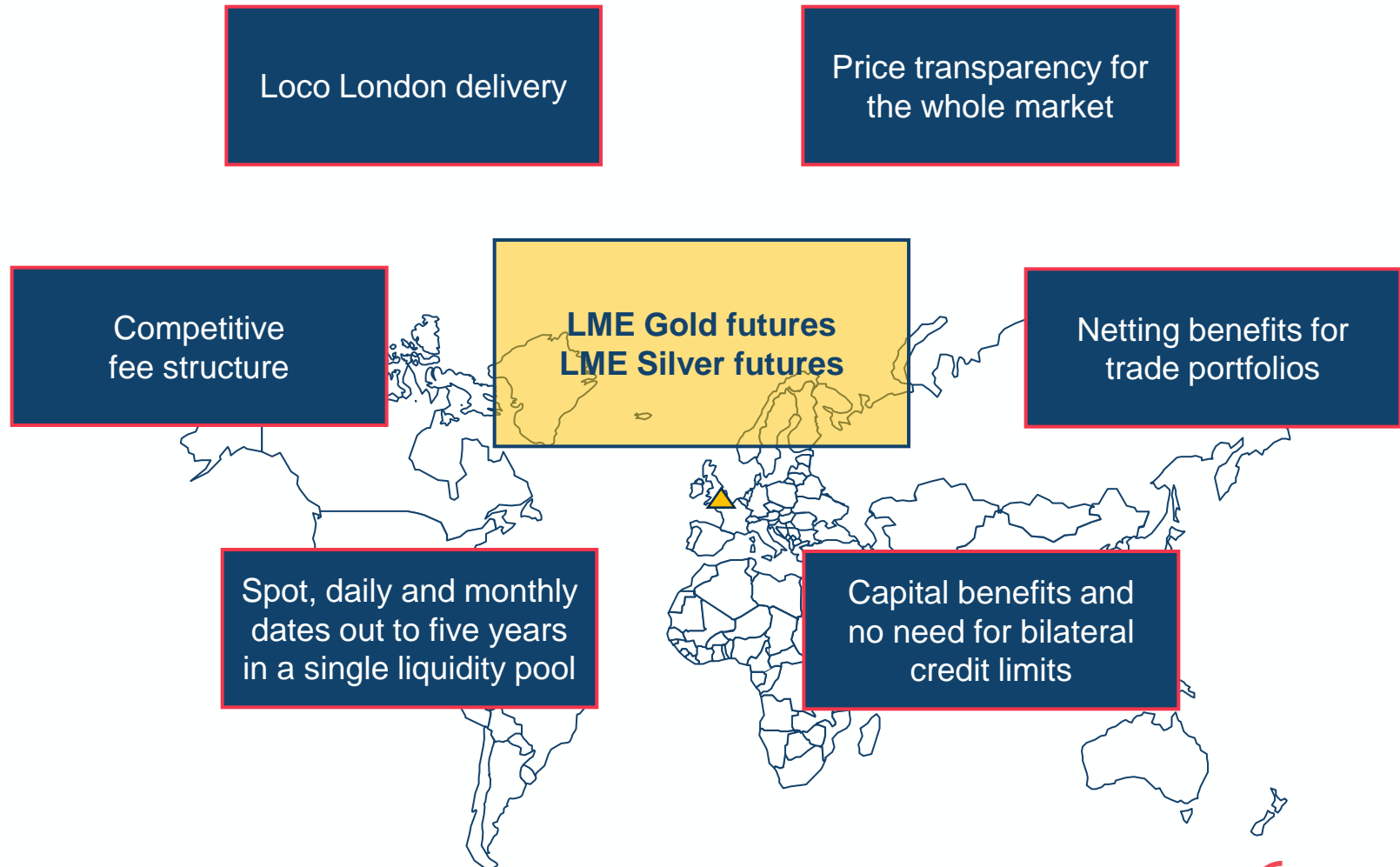
SETTING THE GLOBAL STANDARD



OUNCE  
CHILVER

# Key benefits of LMEprecious

Modernising the gold and silver markets to better reflect market need and deliver greater choice

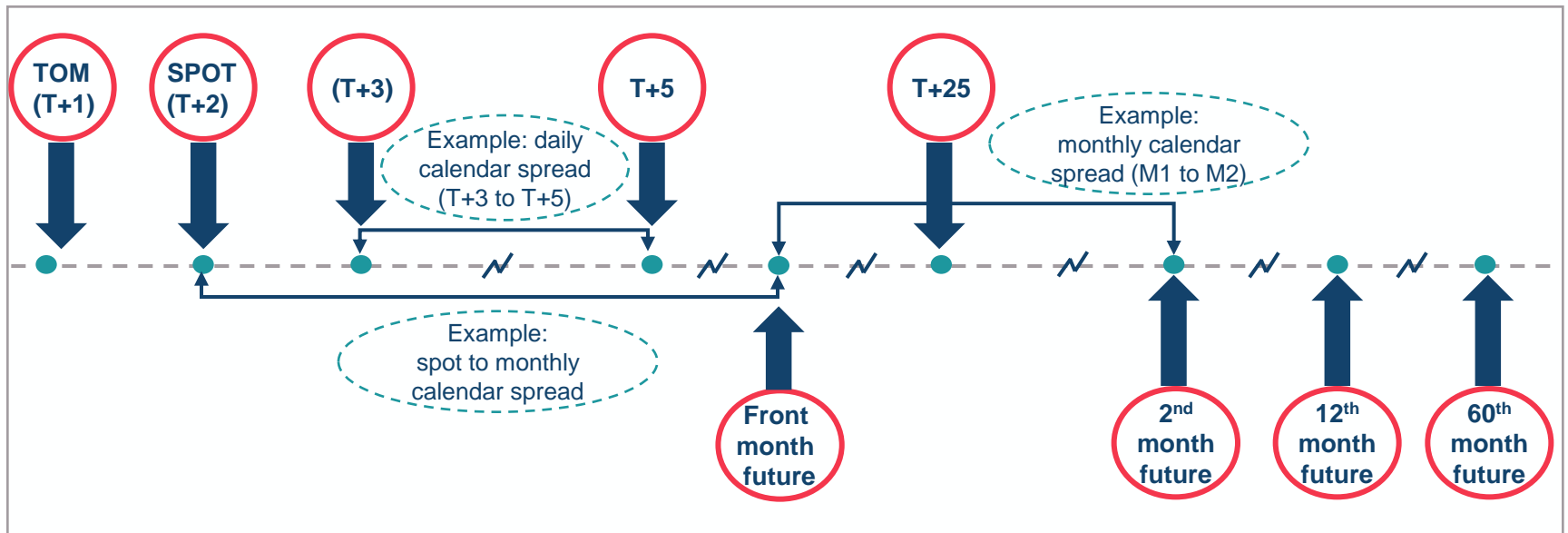
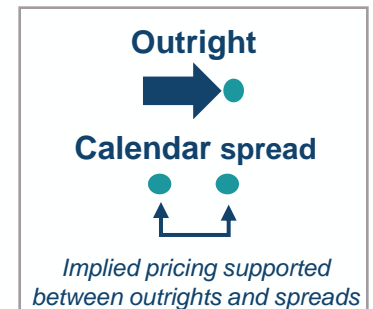


# LMEprecious date structure

The LME's rolling prompt date mechanism enables a hybrid structure, bringing together the worlds of OTC trading and futures

## LMEprecious prompt dates

- Tom, spot and daily futures out to T+25
- Monthly futures out to 24 calendar months, and then quarterly out to 60 calendar months forward
- Offers single open interest space with margining and risk netting efficiencies, a shared liquidity pool and continuous pricing curve








# Increasing number of members and brokers

## Clearing members:

	GCM	Goldman Sachs International
Morgan Stanley	GCM	Morgan Stanley & Co. International PLC
	GCM	Société Générale
	GCM	MAREX Financial Limited
	GCM	Société Générale International Limited
	GCM	BOCI Global Commodities (UK) Limited
	GCM	ED&F Man Capital Markets Limited
	GCM	INTL FCStone PLC
	GCM	Commerzbank AG
	ICM	ICBC Standard Bank PLC
	ICM	Natixis

## Brokers working LMEprecious:

	✓	Tradition
	✓	Tullet Prebon
	✓	BGC Partners
	✓	GFI Group
	✓	ICAP

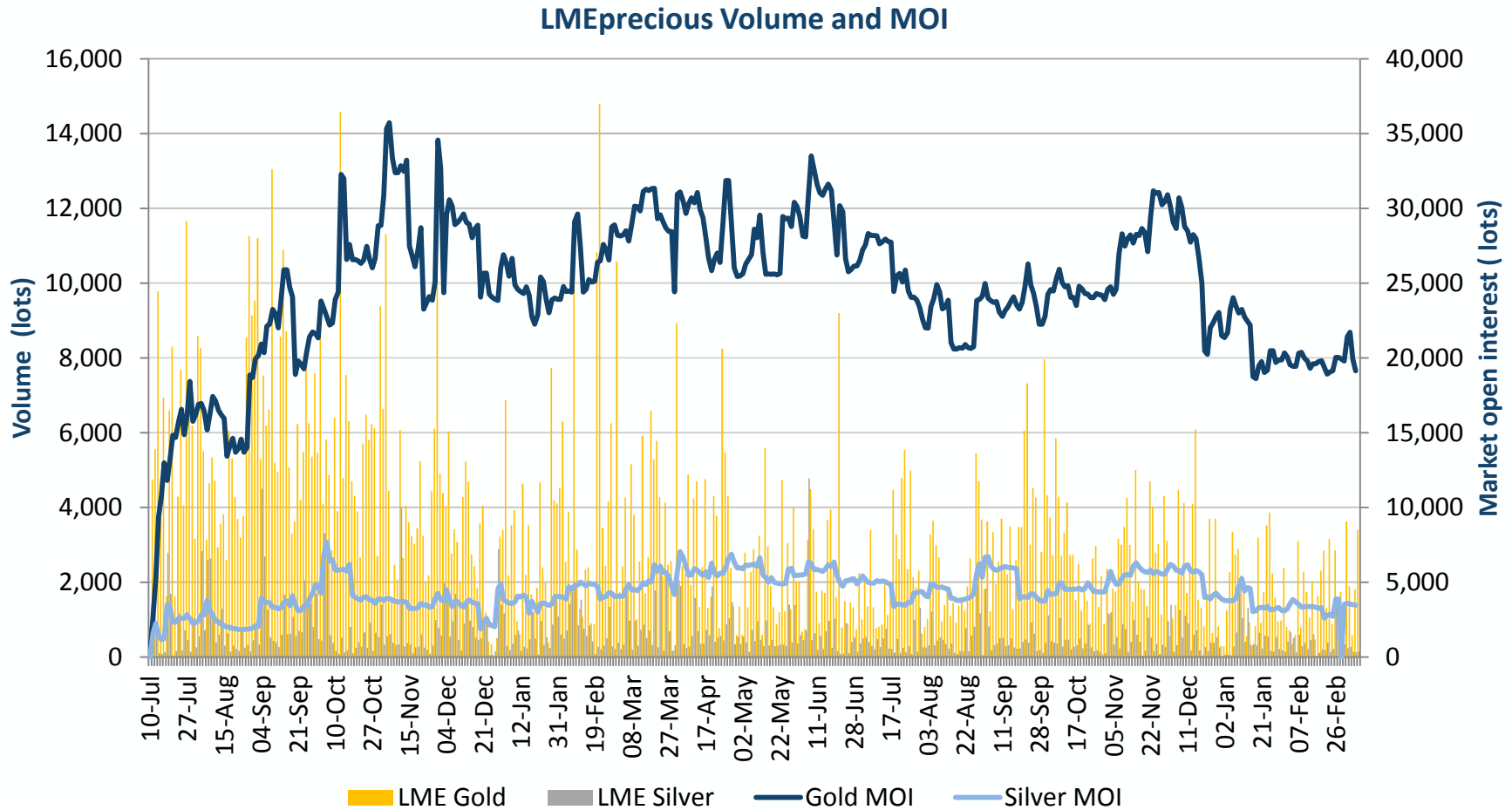
## Non clearing members trading LMEprecious:

Morgan Stanley	✓	Morgan Stanley Capital Group Inc
	✓	OSTC Limited
	✓	XTX Markets Limited

# Volume and open interest

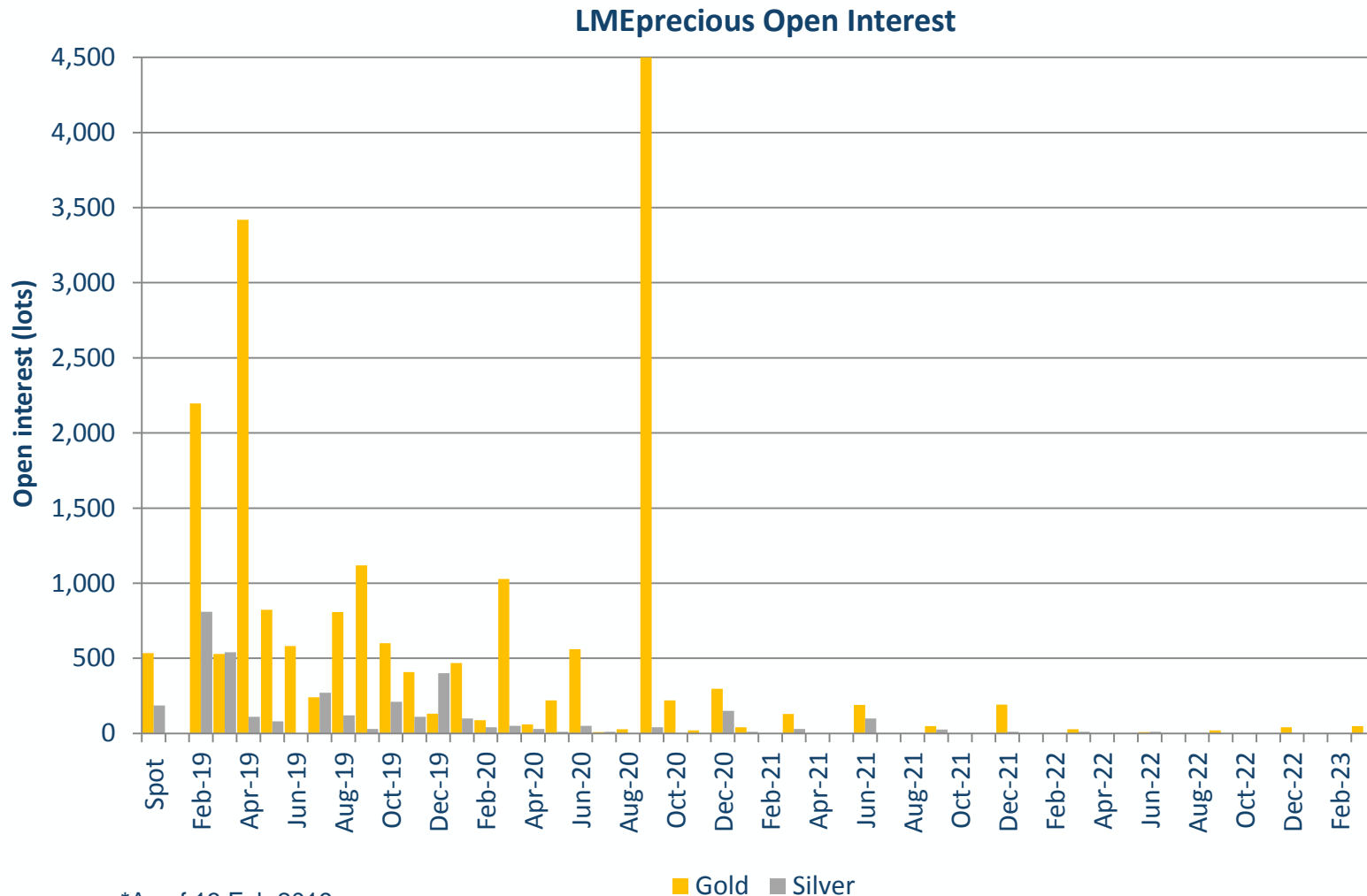
# LMEprecious volume and open interest

Stable volumes, open interest fluctuating as loco London delivery is utilised



# Open interest building down the curve

LME Gold open interest out to five years forward



# Order book activity and pricing



# Liquidity continues to build on screen

LME Gold spot order book\*

20c wide top of book

1311.6058	70	1	7	1311.900
1311.5731	63	1	9	1311.800
1311.5352	54	2	17	1311.700
1311.4596	37	1	9	1311.600
1311.4144	28	1	8	1311.500
1311.3801	20	3	16	1311.400
1311.3000	4	1	4	1311.300
Avg Px	Total	Ord	Size	Bid
1311.1001	7	1	7	1311.100
1311.0269	26	3	19	1311.000
1310.9847	39	2	13	1310.900
1310.9201	60	3	21	1310.800
1310.8527	76	2	16	1310.600
1310.8154	85	1	9	1310.500
1310.7538	93	1	8	1310.100

\*Snapshot of the order books, not a guarantee of spreads

# Sizeable tom/next liquidity developing

Contract	BQty	Bid	Offer	OQty
AUDTOMNEXT	1000	0.046c	0.045c	150
AUDC-240717	500	0.135c	0.131c	20
AUDC-AUG17	20	1.200c	1.160c	40
AUDC-SEP17	20	2.870c	2.800c	40
AUDC-OCT17	20	4.260c	4.105c	40

1000 lot bid at the top of book

AUDTOMNEXT	0.134c	500
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500 lots traded in one clip

Contract	BQty	Bid	Offer	OQty
AUDTOMNEXT	600	0.046c	0.038c	20
AUDC-240717	500	0.135c	0.132c	20
AUDC-AUG17	20	1.186c	1.150c	20
AUDC-SEP17	320	2.800c	2.789c	20
AUDC-OCT17	20	4.290c	4.110c	20
AUDC-NOV17	100	5.680c	5.454c	20

\*Snapshot of the order books, not a guarantee of spreads

# Tight pricing on-screen out to five years

LME Gold spot/monthly carries					
Leg 1	Leg 2	BPS	\$ Bid	\$ Offer	BPS
Tom	Next	2.44%	0.252	0.232	2.25%
Spot	T+3	2.38%	0.082	0.079	2.30%
Spot	Dec-18	2.39%	0.741	0.723	2.34%
Spot	Jan-19	2.99%	3.809	3.734	2.93%
Spot	Feb-19	2.89%	7.167	7.030	2.84%
Spot	Mar-19	2.83%	9.721	9.646	2.81%
Spot	Apr-19	2.85%	12.538	12.392	2.82%
Spot	May-19	2.87%	15.397	15.135	2.82%
Spot	Jun-19	2.89%	18.995	18.634	2.84%
Spot	Jul-19	2.90%	21.826	21.392	2.84%
Spot	Aug-19	2.90%	25.354	24.856	2.85%
Spot	Sep-19	2.91%	28.175	27.638	2.85%
Spot	Oct-19	2.91%	31.022	30.401	2.85%
Spot	Nov-19	2.91%	34.525	33.896	2.86%
Spot	Dec-19	2.92%	37.461	36.583	2.85%
Spot	Jun-20	2.93%	55.888	54.456	2.85%
Spot	Dec-20	2.96%	74.958	72.548	2.86%
Spot	Jun-21	2.97%	93.812	90.874	2.88%
Spot	Dec-21	2.98%	112.967	109.059	2.88%
Spot	Jun-22	3.00%	132.550	127.743	2.90%
Spot	Dec-22	3.02%	153.001	146.318	2.89%
Spot	Jun-23	3.05%	172.924	164.978	2.91%

LME Silver spot/monthly carries					
Leg 1	Leg 2	BPS	\$ Bid	\$ Offer	BPS
Tom	Next	2.50%	0.00300	0.00270	2.25%
Spot	T+3	2.6			
Spot	Dec-18	2.5			
Spot	Jan-19	3.1			
Spot	Feb-19	3.0			
Spot	Mar-19	3.0			
Spot	Apr-19	3.16%	0.15845	0.15562	3.00%
Spot	May-19	3.11%	0.19424	0.18847	3.02%
Spot	Jun-19	3.13%	0.23928	0.23210	3.04%
Spot	Jul-19	3.14%	0.27474	0.26618	3.04%
Spot	Aug-19	3.15%	0.31960	0.30979	3.05%
Spot	Sep-19	3.15%	0.35486	0.34394	3.05%
Spot	Oct-19	3.15%	0.38998	0.37787	3.05%
Spot	Nov-19	3.1			
Spot	Dec-19	3.1			
Spot	Jun-20	3.1			
Spot	Dec-20	3.1			
Spot	Jun-21	3.1			
Spot	Dec-21	3.20%	1.40749	1.33019	3.02%
Spot	Jun-22	3.23%	1.65749	1.55983	3.04%
Spot	Dec-22	3.29%	1.93464	1.76742	3.00%
Spot	Jun-23	3.33%	2.19532	2.00910	3.05%

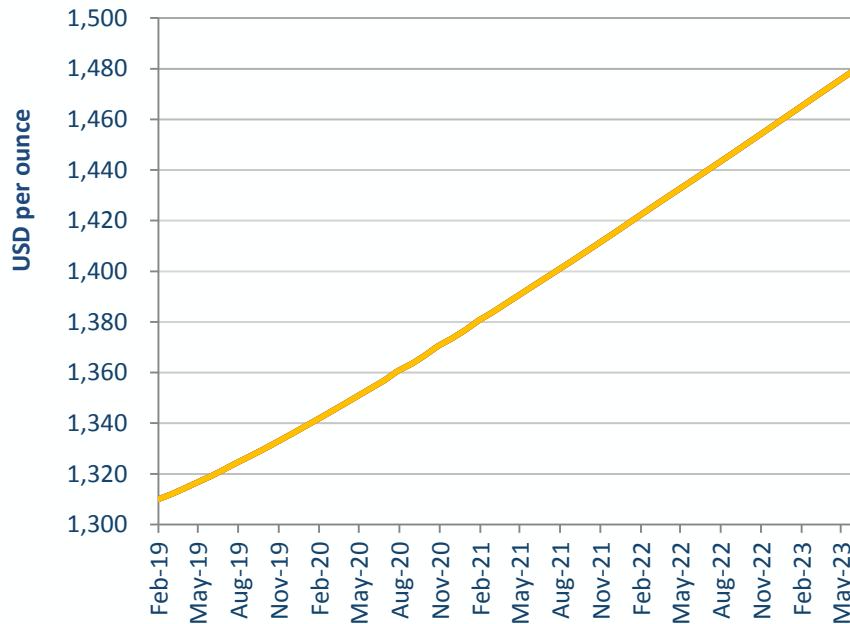
1 year gold: 2.85%/2.92%  
7 BPS wide

4 year gold: 2.89%/3.02%  
13 BPS wide

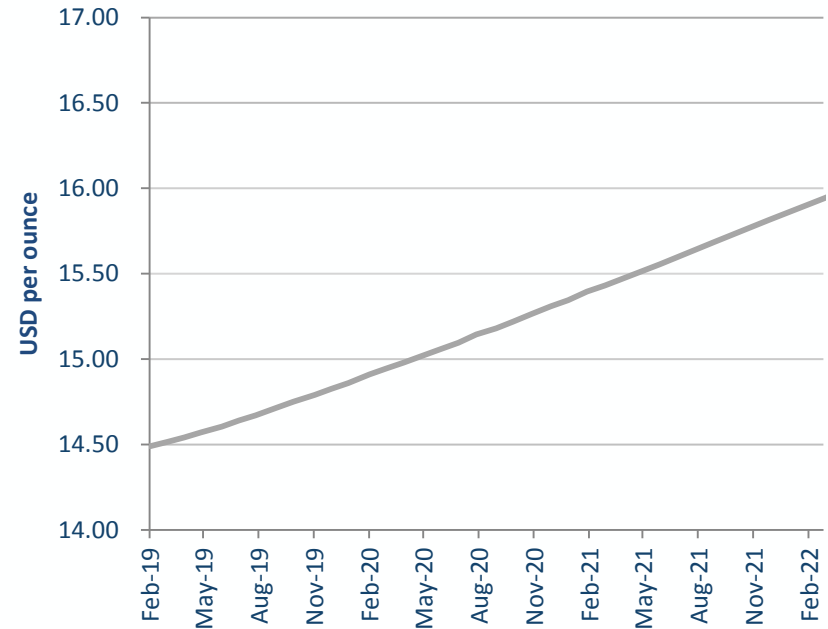
\*Snapshot of the order books, not a guarantee of spreads

# Real time transparent forward curves out to 5 years

## LME Gold forward curve\*



## LME Silver forward curve\*



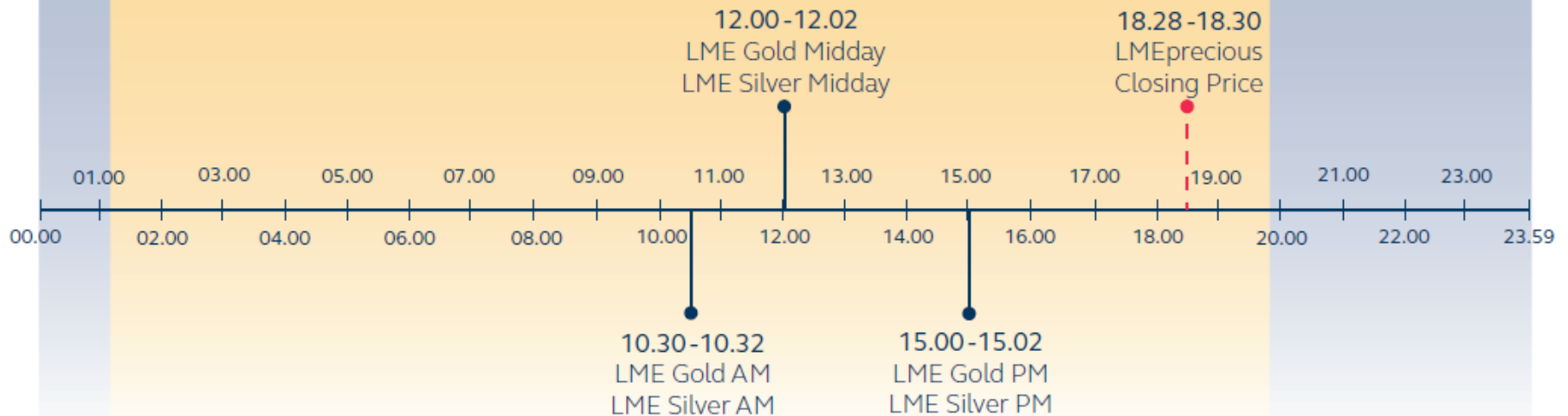
- Streaming carry orders out to 5 years provides a real time forward curve
- Daily settlement prices for all prompt dates for gold and silver

\*indicative prices

# LME reference prices

Inter-office telephone market – 24 hours a day

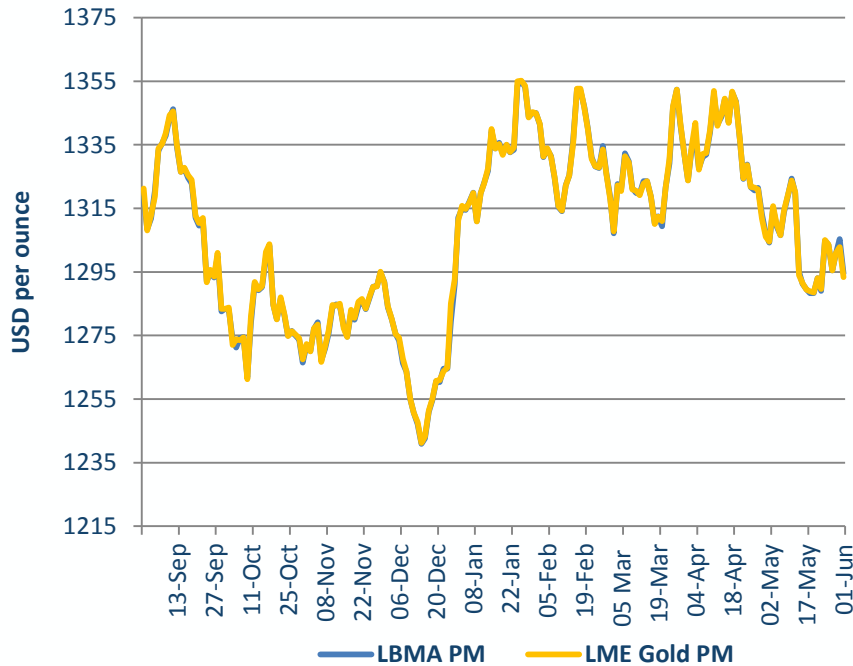
LMEselect electronic trading – 01.00-20.00\*



- LMEprecious reference prices provide intra-day LME Gold and LME Silver spot price points to support the market in managing their price risk throughout the trading day.

# Reference price correlation

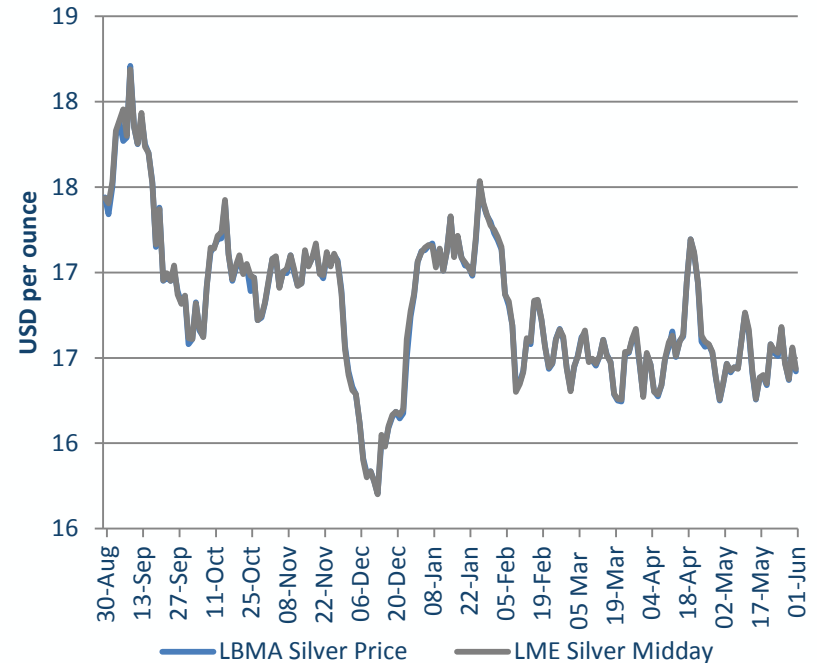
**LME Gold PM Price vs LBMA Gold PM price**



Gold AM prices	
Correlation	99.977%
Mean deviation	-0.007%

Gold PM prices	
Correlation	99.952%
Mean deviation	0.018%

**LME Silver Price vs LBMA Silver Price**



Silver prices	
Correlation	99.883%
Mean deviation	0.039%

\*correlations based on data from 10 July 2017 until 04 June 2018

# TAS order book functionality being developed

TAS orders placed at +/- a number of ticks (\$0.10) from the yet-to-be-determined LME Gold spot reference price

TAS order book snapshot

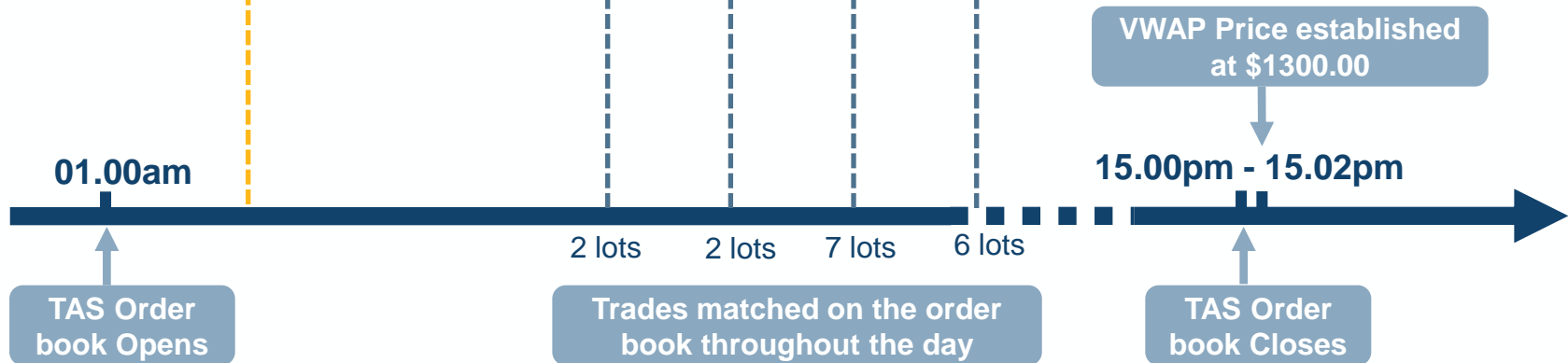
TAS on spot (\$)			
Volume	Bid	Ask	Volume
8	0	0.10	3
6	-0.10	0.20	6
4	-0.20	0.30	4

TAS trade blotter view

Market	Price	Volume	Time of trade
Spot	0.30	6	11:12:00 AM
Spot	0	7	10:02:24 AM
Spot	0.10	2	08:09:36 AM
Spot	-0.10	2	06:09:36 AM

Resulting spot positions

Market	Futures price	Volume
Spot	1300.30	6
Spot	1300.00	7
Spot	1300.10	2
Spot	1290.90	2

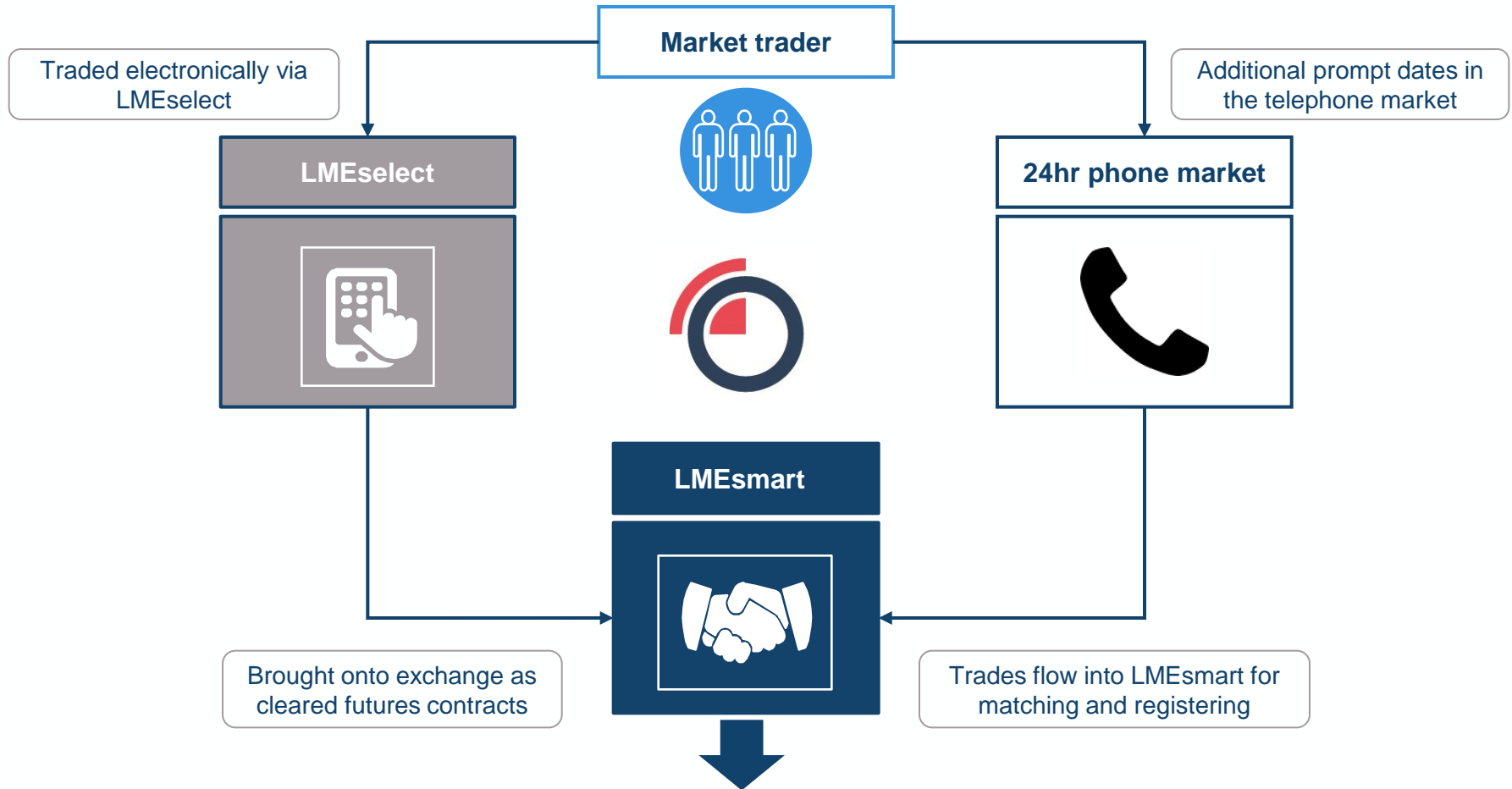


# Accessing the market



# Accessing the market

Multiple routes of execution for LMEprecious contracts



# LMEprecious membership structure

## Criteria and capabilities

Membership category	General Clearing Member ("GCM")	Individual Clearing Member ("ICM")	Non Clearing Member ("NCM")
Trade in the telephone market	✓	✓	✓
Trade directly in LMEselect	✓	✓	✓
Trade for clients	✓	✗	✓
Demonstrate applicable authorisations, exclusions or exemptions for proposed LMEprecious activities	✓	✓	✓
LME Clear member	✓	✓	✗
Minimum net worth	\$10m	\$10m	£500,000
Annual subscription fee (ex.VAT)	Waived until at least January 2020		
B share requirement	10,000	2,000	zero

# Risk management

# LMEprecious risk management

LMEC is utilising the existing margin algorithm using to calculate initial margin



- Realised variation margining



- Gold as collateral



- Segregated default fund



- 60% margin offset between gold and silver

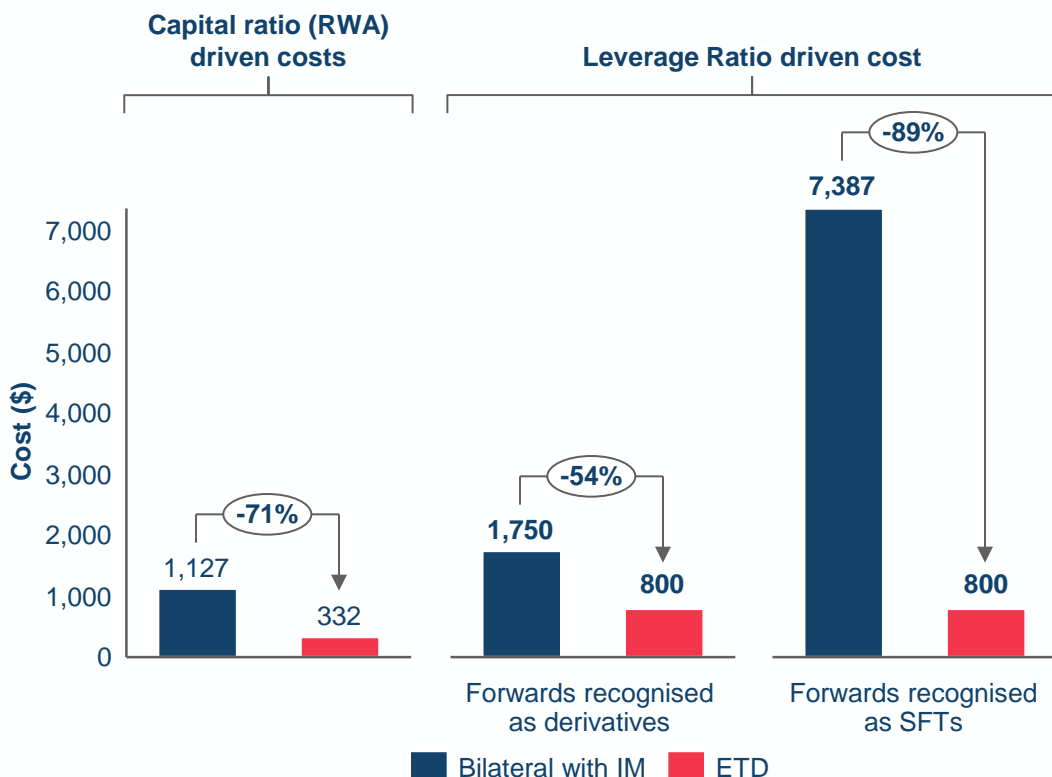
## Scanning Range

Metal	Nov-18	% Price
Gold	\$72	5.3%
Silver	\$2.58	15.4%

# London Gold Market Clearing & Exchange Analysis

The World Gold Council commissioned an analysis of the impact on bank economics of trading gold (cost of a \$1m notional bank-to-bank trade)

## Annualised cost of \$1 MM notional gold forward/future - 10 day duration



- All-in cost savings from on-exchange trading could range from ~50% to ~90%
- Cost savings are driven primarily by lower capital
  - Lower counterparty risk weight
  - Lack of CVA and CVA VaR charges
  - Lower funding charges due to netting of trades
  - IDB fees for OTC exceeding clearing/on-exchange fees
  - Savings are somewhat reduced by clearing specific costs such as default fund contributions
- The extent of any savings depends on
  - The weighting in capital charges between RWA-driven regulatory capital and the leverage ratio
  - For leverage ratio constrained banks, the accounting treatment of gold forwards (as securities financing transactions or derivatives)
  - Parameters/key assumptions, most notably trade duration, netting benefit effects, target leverage ratio and the bilateral counterparty risk weight

Key assumptions: Principal clearing model; SA-CCR used for exposure calculation with 50% bilateral and 2% CCP risk weight; IM based on historical VaRmodel (bilateral) and LME parameters (cleared); 10% DF/IM ratio with 1.03% c-factor; 20% bilateral and 40% cleared netting benefit (0% for SFTs); VM exchanged in allcases  
Source: WGC, LME and Oliver Wyman analysis

# LMEprecious enhancements

# LMEprecious New Market Participant programme

Available to all new LMEprecious clients from 4 March 2019

- Incentive programme on LMEprecious, designed to encourage new clients to participate in the market
- Available to all new participants accessing LMEprecious as clients
- 75% rebate on trading and clearing fees for 6 months, then 50% rebate for a further 6 months

## LMEprecious NMP programme

- Open to all clients
- Only open to clients who have not previously traded LMEprecious contracts (except de minimis volumes)
- For all volume on LMEselect in precious contracts

Months since start of NMP	Fee	Rebate
1-6	0.225	75%
7-12	0.45	50%

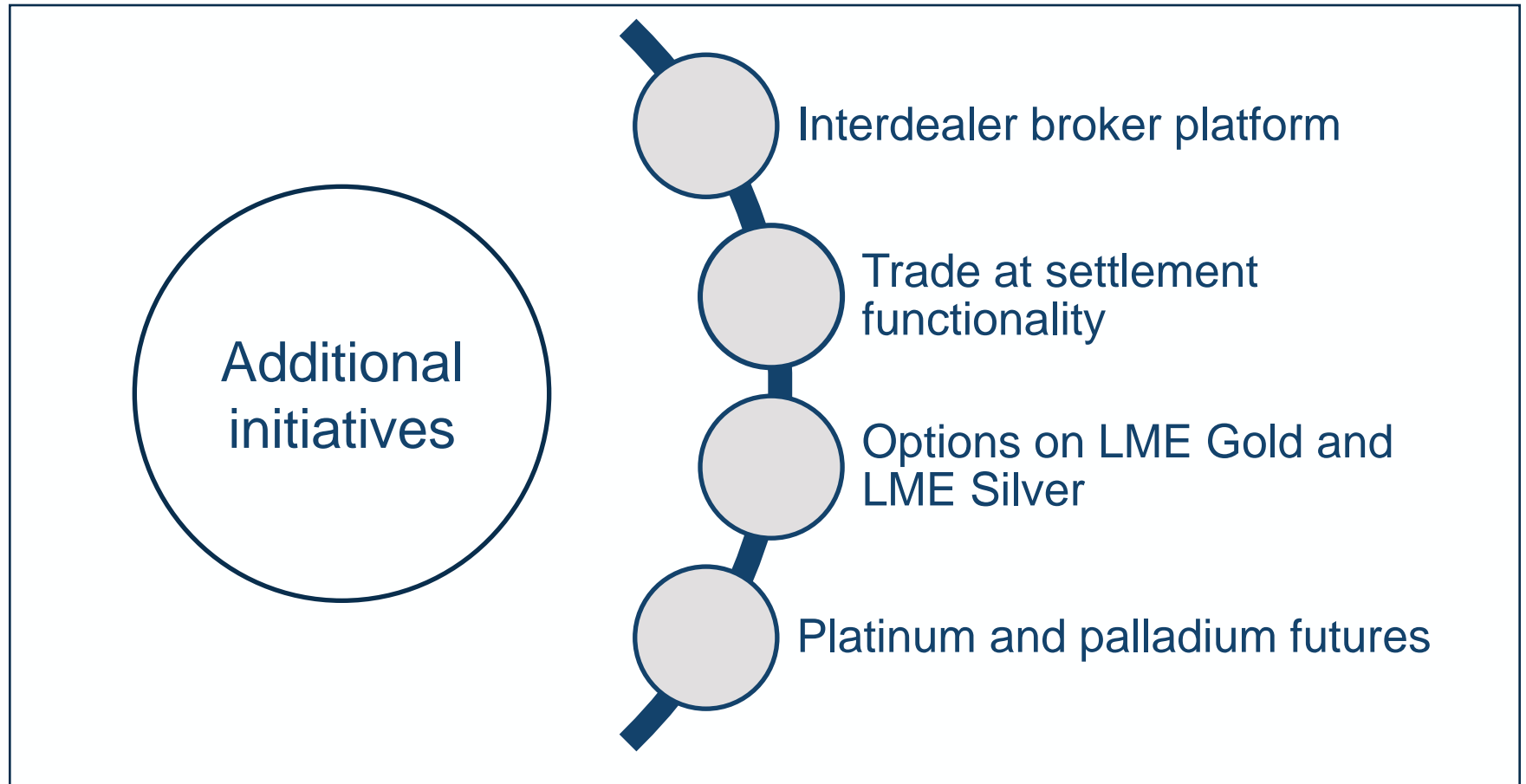
## Access choices post-NMP expiry

- Clients can choose to trade at full fees
- Alternatively, can opt to become an NCM

Spot fees on LMEselect	Fee
Client	0.90
Non-clearing member	0.40

# LMEprecious further developments

Additional functionality and new products





# LMElive – free access to live prices

## LMEprecious - Metal Summary - LME Gold

UTC: 11:14:19

Date: 03 Apr 18 TOM: 20 Mar 18 SPOT: 21 Mar 18

Commodity LME Gold ▾

Quotes								Trades					
	Time	Src	Vol	Bid	Ask	Vol	Src	Open	High	Low	Src	Last	Vol
SPOT	09:09:46	SELC	3	1320.50	1321.50	4	IO	1320.00	1322.00	1319.50	SELC	1321.00	500
Mar 18	09:09:46	SELC	3	1320.50	1321.50	4	IO	1320.00	1322.00	1319.50	SELC	1321.00	500
Apr 18	09:09:46	SELC	3	1320.50	1321.50	4	IO	1320.00	1322.00	1319.50	SELC	1321.00	500
May 18	09:09:46	SELC	3	1320.50	1321.50	4	IO	1320.00	1322.00	1319.50	SELC	1321.00	500
Jun 18	09:09:46	SELC	3	1320.50	1321.50	4	IO	1320.00	1322.00	1319.50	SELC	1321.00	500
Jul 18	09:09:46	SELC	3	1320.50	1321.50	4	IO	1320.00	1322.00	1319.50	SELC	1321.00	500

Carry Quotes								Carry Trades					
	Time	Src	Vol	Bid	Ask	Vol	Src	Open	High	Low	Src	Last	Vol
TOM - NEXT	09:09:46	SELC	3	1.00b	1.50b	4	IO	1.25b	1.25b	1.25b	SELC	1.25b	70
Mar 18 - Apr 18	09:09:46	SELC	3	1.00b	1.50b	4	IO	1.25b	1.25b	1.25b	SELC	1.25b	70
Apr 18 - May 18	09:09:46	SELC	3	1.00b	1.50b	4	IO	1.25b	1.25b	1.25b	SELC	1.25b	70
May 18 - Jun 18	09:09:46	SELC	3	1.00b	1.50b	4	IO	1.25b	1.25b	1.25b	SELC	1.25b	70
Jun 18 - Jul 18	09:09:46	SELC	3	1.00b	1.50b	4	IO	1.25b	1.25b	1.25b	SELC	1.25b	70

Spot-Monthly Carry Quotes and Trades						
	Time	Bid BPS	Bid	Ask	Ask BPS	Last
TOM - NEXT	13:14:06	2.45%	0.75c	0.50c	1.36%	0.60c
SPOT - Mar 18	13:14:06	2.45%	0.75c	0.50c	1.36%	0.60c
SPOT - Apr 18	13:14:06	2.45%	0.75c	0.50c	1.36%	0.60c
SPOT - May 18	13:14:06	2.45%	0.75c	0.50c	1.36%	0.60c
SPOT - Jun 18	13:14:06	2.45%	0.75c	0.50c	1.36%	0.60c
SPOT - Jul 18	13:14:06	2.45%	0.75c	0.50c	1.36%	0.60c

# Appendix

# LMEprecious contract specifications

	LME Gold		LME Silver	
<b>Delivery</b>	Unallocated Loco London Gold		Unallocated Loco London Silver	
<b>Lot size</b>	100 fine troy ounces		5,000 fine troy ounces	
<b>Price quotation</b>	US Dollars and cents per fine troy ounce		US Dollars and cents per fine troy ounce	
<b>Trading venues</b>	<b>LMEselect</b>	<b>Inter-office market</b>	<b>LMEselect</b>	<b>Inter-office market</b>
<b>Contract period</b>	T+1 to T+3, M1 to M24/25, Quarterly to 5 years	T+1 to T+25, M1 to M24/25, Quarterly to 5 years	T+1 to T+3, M1 to M24/25, Quarterly to 5 years	T+1 to T+25, M1 to M24/25, Quarterly to 5 years
<b>Trading hours</b>	01:00 – 20:00 London time	24 hours	01:00 – 20:00 London time	24 hours
<b>Minimum price fluctuation (tick size)</b>	\$0.100 per fine troy ounce	\$0.001 per fine troy ounce	\$0.00500 per fine troy ounce	\$0.00001 per fine troy ounce
<b>(Carries)</b>	\$0.001 per fine troy ounce	\$0.001 per fine troy ounce	\$0.00001 per fine troy ounce	\$0.00001 per fine troy ounce
<b>Daily settlement price</b>	VWAP of traded prices during the settlement window and/or other relevant data		VWAP of traded prices during the settlement window and/or other relevant data	
<b>Settlement procedure</b>	Unallocated Precious Metal deliveries to LME Clear's nominated Precious Metal Clearer		Unallocated Precious Metal deliveries to LME Clear's nominated Precious Metal Clearer	

[Click here to return to LMEprecious key benefits](#)

# LMEprecious fee schedule

## Combined trading and clearing fees\*

	LMEselect		Telephone (25% discount)	
	House	Client	House	Client
Tom and Spot	\$ 0.40	\$ 0.90	\$ 0.30	\$ 0.68
Tom/Next or Spot/T+3 carry	\$ 0.01	\$ 0.01	\$ 0.01	\$ 0.01
Monthlies, all other dailies and quarterlies	\$ 0.50	\$ 0.90	\$ 0.38	\$ 0.68
Post-trade functions**			\$ 0.05	\$ 0.05

\*All fees will be applicable per lot per side per leg

\*\*Including give-up executor trades, reversal/corrections and position transfers, give-up clearer trades are \$0.45

# Bloomberg and Reuters codes

## LME Gold spot

Date	Bloomberg Ticker	Reuters RIC code
11/12/2018	LMAUDY COMDTY	CLAU0

## LME Gold spot/monthly carries

Leg 1	Leg 2	Bloomberg Ticker	Reuters Code
Tom	Next	AUD TT00 COMDTY	
Spot	T+3	LMAUDS 181211-181212 COMDTY	
Spot	Dec-18	LMAUDS 00Z18 COMDTY	CLAU0-Z18
Spot	Jun-19	LMAUDS 00M19 COMDTY	CLAU0-M19
Spot	Dec-19	LMAUDS 00Z19 COMDTY	CLAU0-Z19
Spot	Jun-20	LMAUDS 00M20 COMDTY	CLAU0-M20
Spot	Dec-20	LMAUDS 00Z20 COMDTY	CLAU0-Z20
Spot	Jun-21	LMAUDS 00M21 COMDTY	CLAU0-M21
Spot	Dec-21	LMAUDS 00Z21 COMDTY	CLAU0-Z21
Spot	Jun-22	LMAUDS 00M22 COMDTY	CLAU0-M22
Spot	Dec-22	LMAUDS 00Z22 COMDTY	CLAU0-Z22
Spot	Jun-23	LMAUDS 00M23 COMDTY	CLAU0-M23

## LME Gold month/month carries

Leg 1	Leg 2	Bloomberg Ticker	Reuters RIC code
Dec-18	Jan-19	LMAUDS Z8F9 COMDTY	CLAUZ19-F19
Jan-19	Feb-19	LMAUDS F9G9 COMDTY	CLAUF19-G19
Feb-19	Mar-19	LMAUDS G9H9 COMDTY	CLAUG19-H19

## LME Gold outright

Date	Bloomberg Ticker	Reuters RIC code
Dec-18	LQAZ8 COMDTY	CLAUZ19
Jan-19	LQAF9 COMDTY	CLAUF19

## LME Silver spot

Date	Bloomberg Ticker	Reuters Code
11/12/2018	LMAGDY COMDTY	CLAG0

## LME Silver spot/monthly carries

Leg 1	Leg 2	Bloomberg Ticker	Reuters Code
Tom	Next	AGD TT00 COMDTY	
Spot	T+3	LMAGDS 181211-181212 COMDTY	
Spot	Dec-18	LMAGDS 00Z18 COMDTY	CLAG0-Z18
Spot	Jun-19	LMAGDS 00M19 COMDTY	CLAG0-M19
Spot	Dec-19	LMAGDS 00Z19 COMDTY	CLAG0-Z19
Spot	Jun-20	LMAGDS 00M20 COMDTY	CLAG0-M20
Spot	Dec-20	LMAGDS 00Z20 COMDTY	CLAG0-Z20
Spot	Jun-21	LMAGDS 00M21 COMDTY	CLAG0-M21
Spot	Dec-21	LMAGDS 00Z21 COMDTY	CLAG0-Z21
Spot	Jun-22	LMAGDS 00M22 COMDTY	CLAG0-M22
Spot	Dec-22	LMAGDS 00Z22 COMDTY	CLAG0-Z22
Spot	Jun-23	LMAGDS 00M23 COMDTY	CLAG0-M23

## LME Silver month/month carries

Leg 1	Leg 2	Bloomberg Ticker	Reuters Code
Dec-18	Jan-19	LMAGDS Z8F9 COMDTY	CLAUZ19-F19
Jan-19	Feb-19	LMAGDS F9G9 COMDTY	CLAUF19-G19
Feb-19	Mar-19	LMAGDS G9H9 COMDTY	CLAUG19-H19

## LME Silver outright

Date	Bloomberg Ticker	Reuters RIC code
Dec-18	LWAZ8 COMDTY	CLAGZ19
Jan-19	LWAF9 COMDTY	CLAGF19

# Would you like to know more?

## Accessing market data

We can assist with how to access data via a number of leading market data providers.

## Additional information

[www.lme.com/lmeprecious](http://www.lme.com/lmeprecious)

[lmeprecious@lme.com](mailto:lmeprecious@lme.com)

## LMEbullion

Additionally, the LME currently work with the London Platinum and Palladium Market to administer and distribute LBMA Platinum and LBMA Palladium prices. This solution is delivered via our custom-built electronic auction platform, LMEbullion.

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