

LMEprecious update

November 2018

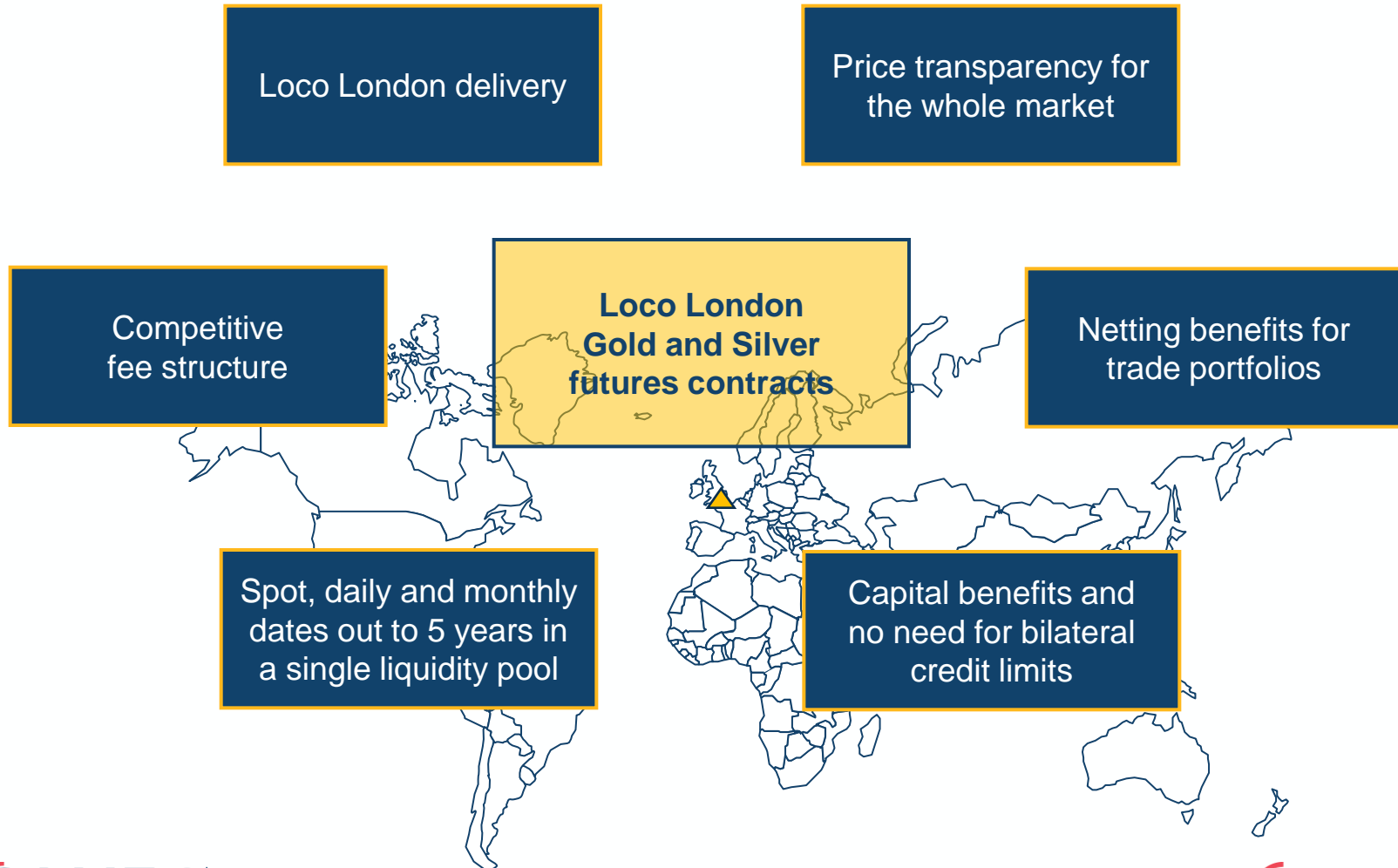


GOLD AND SILVER FUTURES FROM THE LONDON METAL EXCHANGE



Key benefits of LMEprecious

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

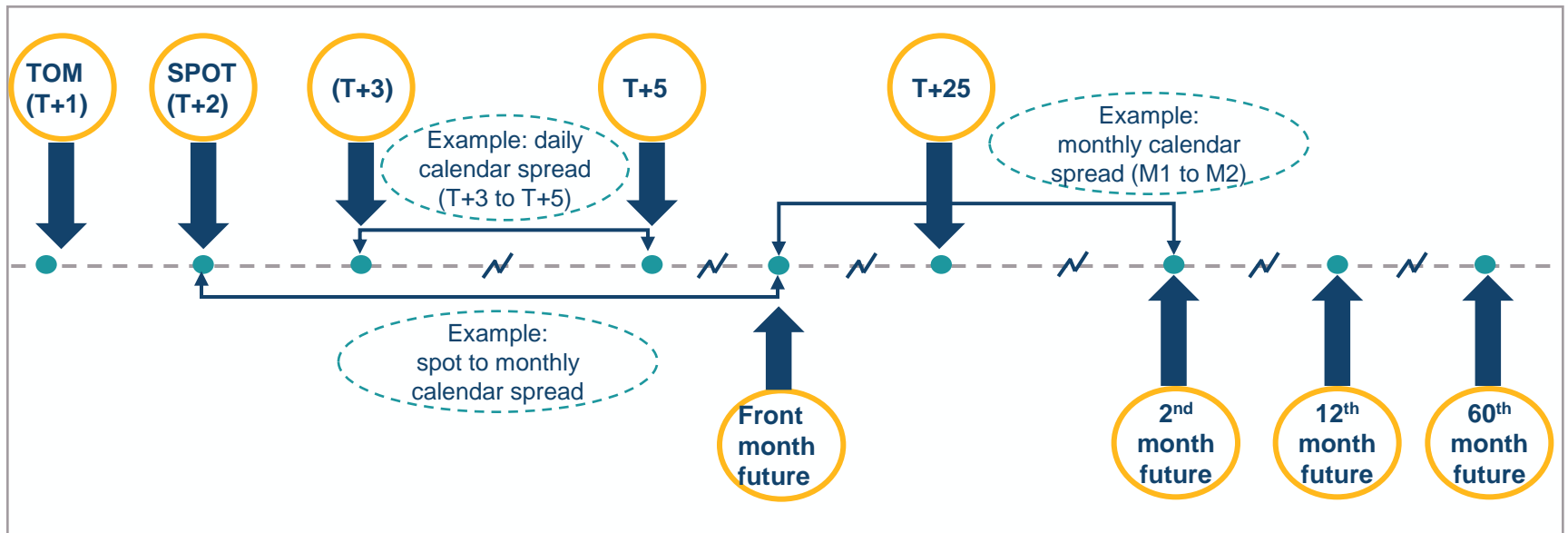
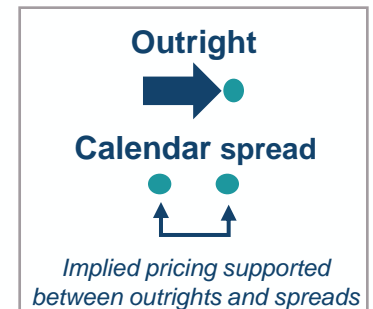


LMEprecious date structure

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 & 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
	ICM	ICBC Standard Bank PLC
	ICM	Natixis
		An HKE _X Company

Brokers working LMEprecious:

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

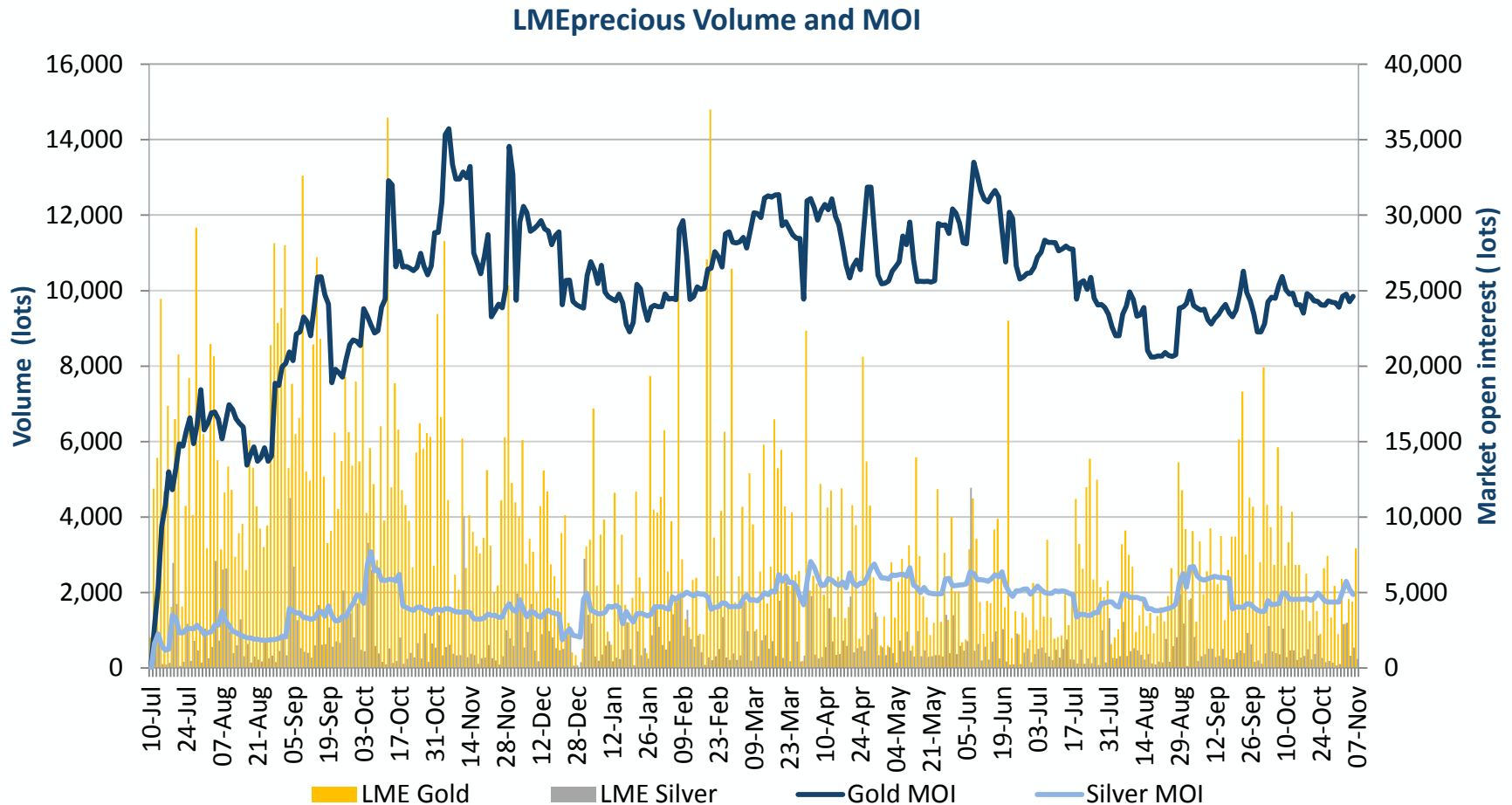
Non clearing members trading LMEprecious:

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

Volume and open interest

LMEprecious volume and open interest

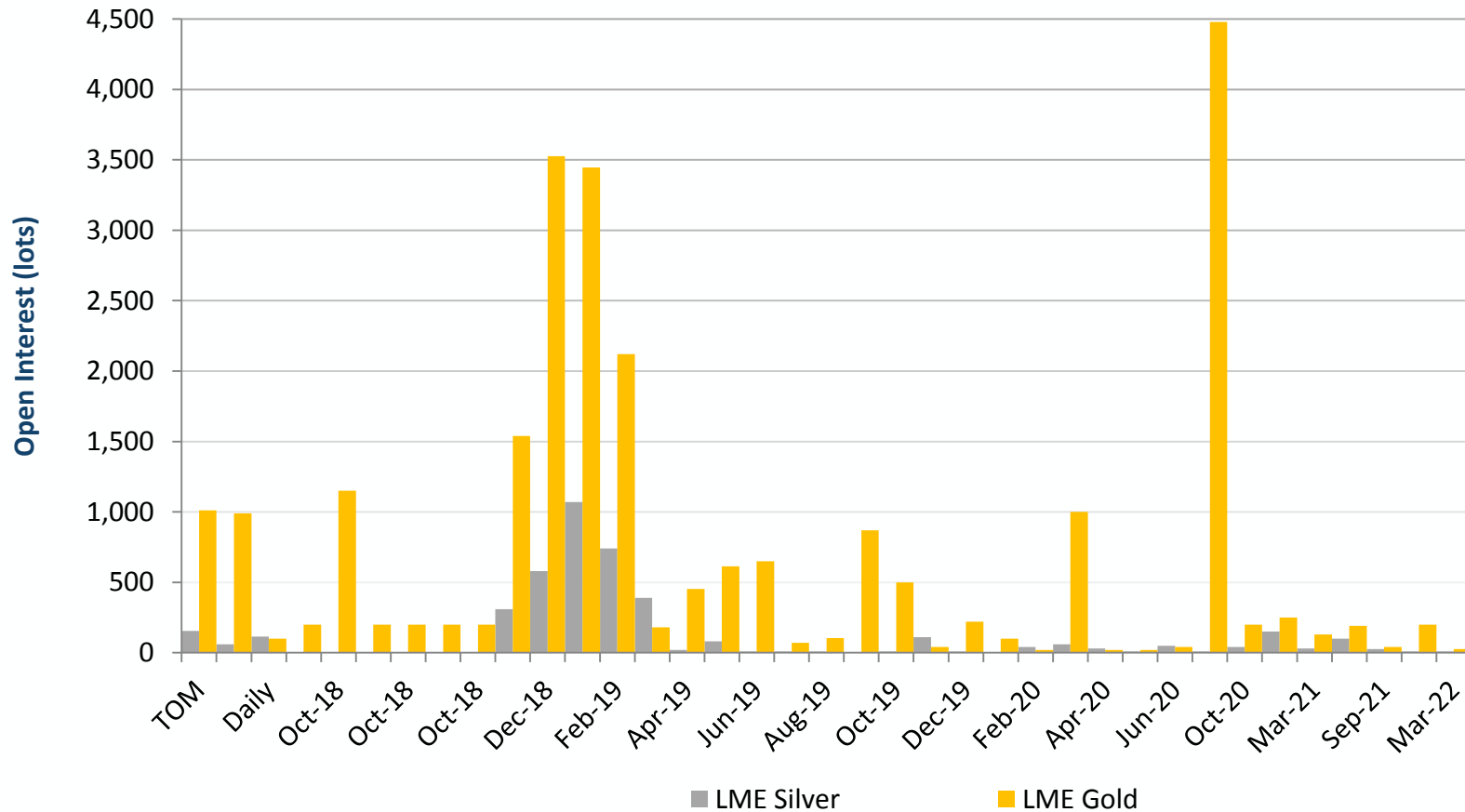
Strong volumes and rapid growth of open interest



Open interest building down the curve

LME Gold open interest out to 4.5 years forwards

LMEprecious Market Open Interest



*As of 8th Oct 2018

Order book activity

Liquidity continues to build on screen

LME Gold spot order book*

20c wide top of book

1219.2111	109	2	18	1219.400
1219.1737	91	3	27	1219.300
1219.1203	64	4	27	1219.200
1219.0622	37	4	23	1219.100
1219.0000	14	2	14	1219.000
Avg Px	Total	Ord	Size	Bid
1218.8000	14	2	14	1218.800
1218.7311	45	6	31	1218.700
1218.6747	79	7	34	1218.600
1218.6211	114	4	35	1218.500
1218.6049	123	1	9	1218.400

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

Transparent pricing

Tight pricing on-screen out to 5 years

LME Gold spot/monthly carries							
	Leg 1	Leg 2	BPS	\$ Bid	\$ Offer	BPS	Spread
1m	Spot	Oct-18	2.48%	- 0.663	- 0.655	2.45%	0.03%
2m	Spot	Nov-18	2.44%	- 3.504	- 3.466	2.41%	0.03%
3m	Spot	Dec-18	2.50%	- 5.934	- 5.872	2.48%	0.03%
4m	Spot	Jan-19	2.70%	- 8.933	- 8.780	2.65%	0.05%
5m	Spot	Feb-19	2.72%	- 12.168	- 11.971	2.67%	0.04%
6m	Spot	Mar-19	2.73%	- 14.793	- 14.556	2.69%	0.04%
1y	Spot	Sep-19	2.79%	- 32.048	- 31.622	2.75%	0.04%
2y	Spot	Sep-20	3.02%	- 71.357	- 69.616	2.94%	0.07%
3y	Spot	Sep-21	3.13%	-112.220	-109.223	3.05%	0.08%
4y	Spot	Sep-22	3.24%	-156.200	-150.664	3.13%	0.11%
5y	Spot	Sep-23	3.32%	-200.760	-191.218	3.17%	0.15%

1 year gold: 2.75%/2.79%

4 BPS wide

3 year gold: 3.05%/3.13%

8 BPS wide

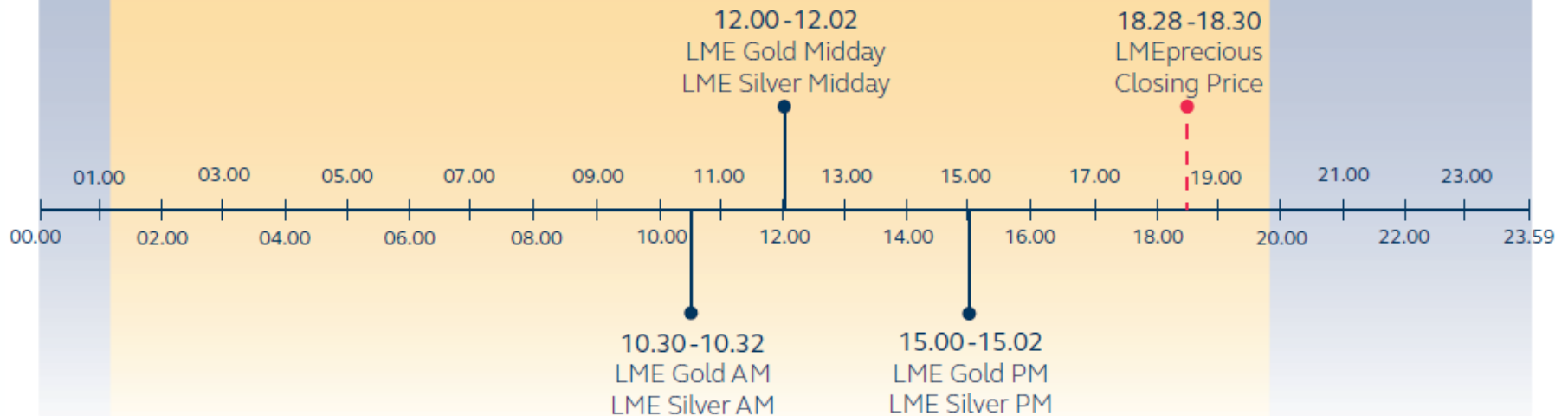
5 year gold: 3.17%/3.32%

15 BPS wide

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.

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

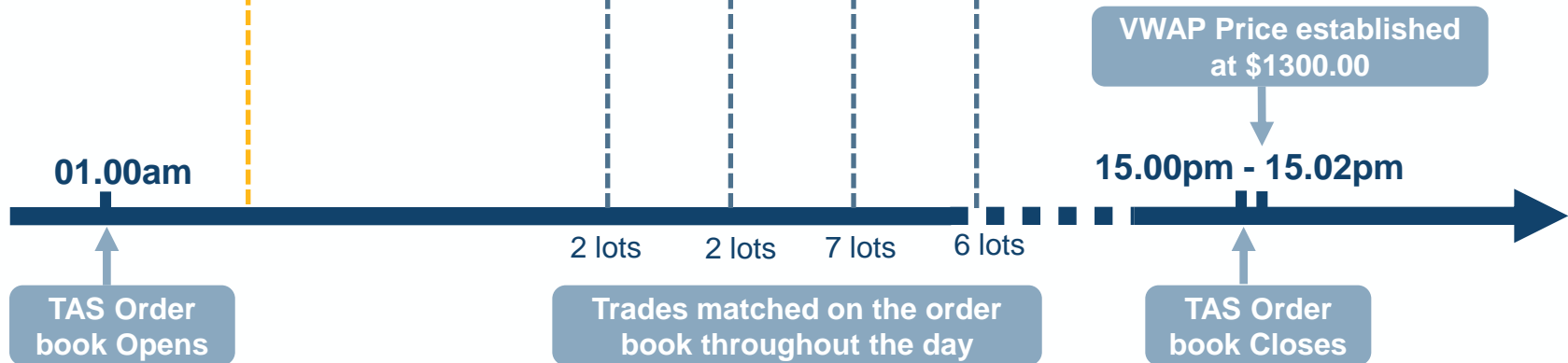
TAS on spot (\$)			
Volume	Bid	Ask	Volume
8	0	0.10	3
6	-0.10	0.20	6
4	-0.20	0.30	4

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

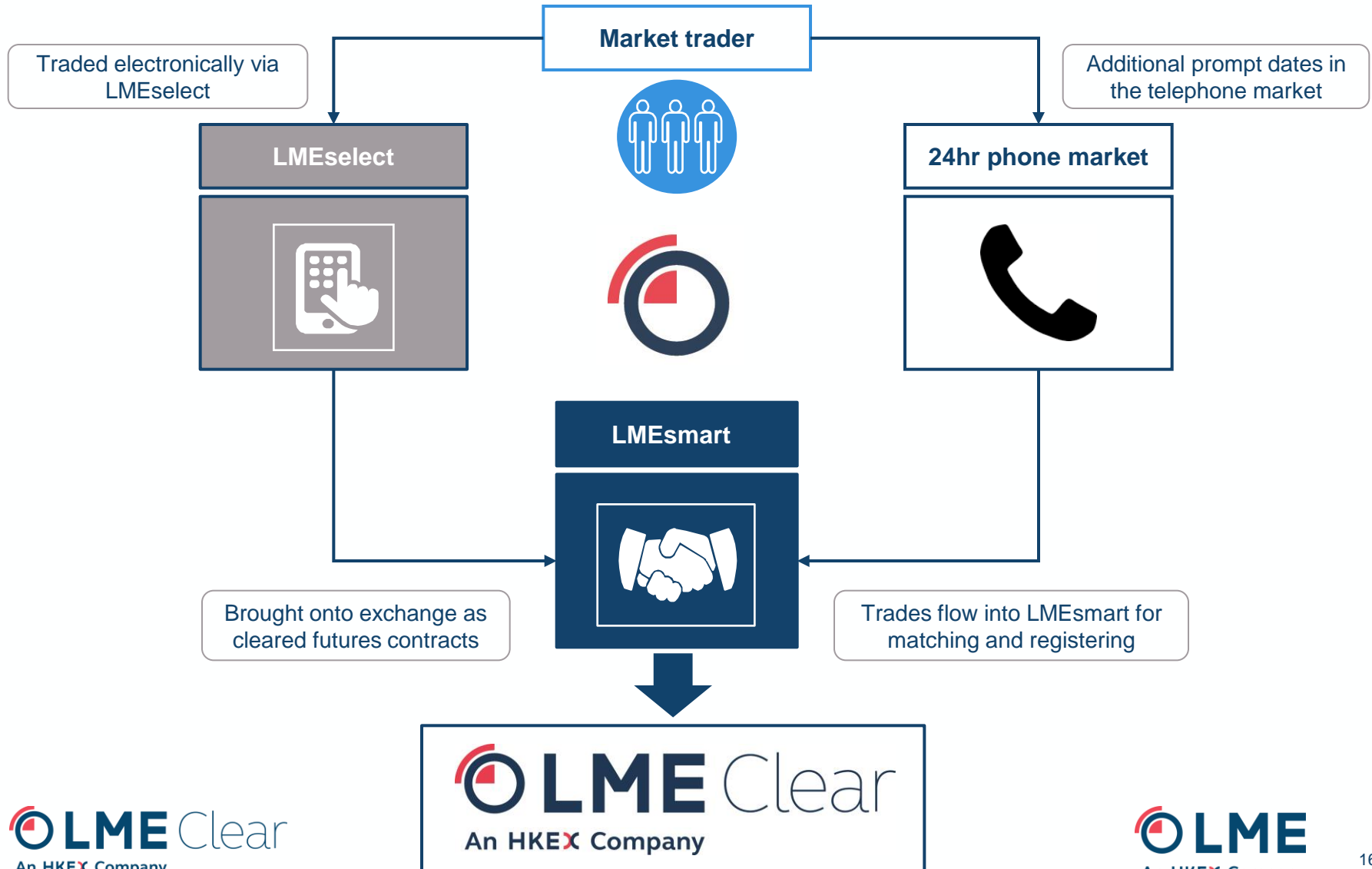
Market	Futures price	Volume
Spot	1300.30	6
Spot	1300.00	7
Spot	1300.10	2
Spot	1290.90	2



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	£5m	£5m	£500,000
Annual subscription fee (ex.VAT)	Waived until at least January 2020		
B Share Requirement	10,000	2,000	zero

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

Clearing and settlement

Bank capital efficient solution

LME Clear clearing solution can reduce the burden of CRD IV and Basel III requirements on banks' exposures for precious



- Less capital held against exposures



- Gold as collateral



- Realised variation margining



- 60% margin offset between gold and silver



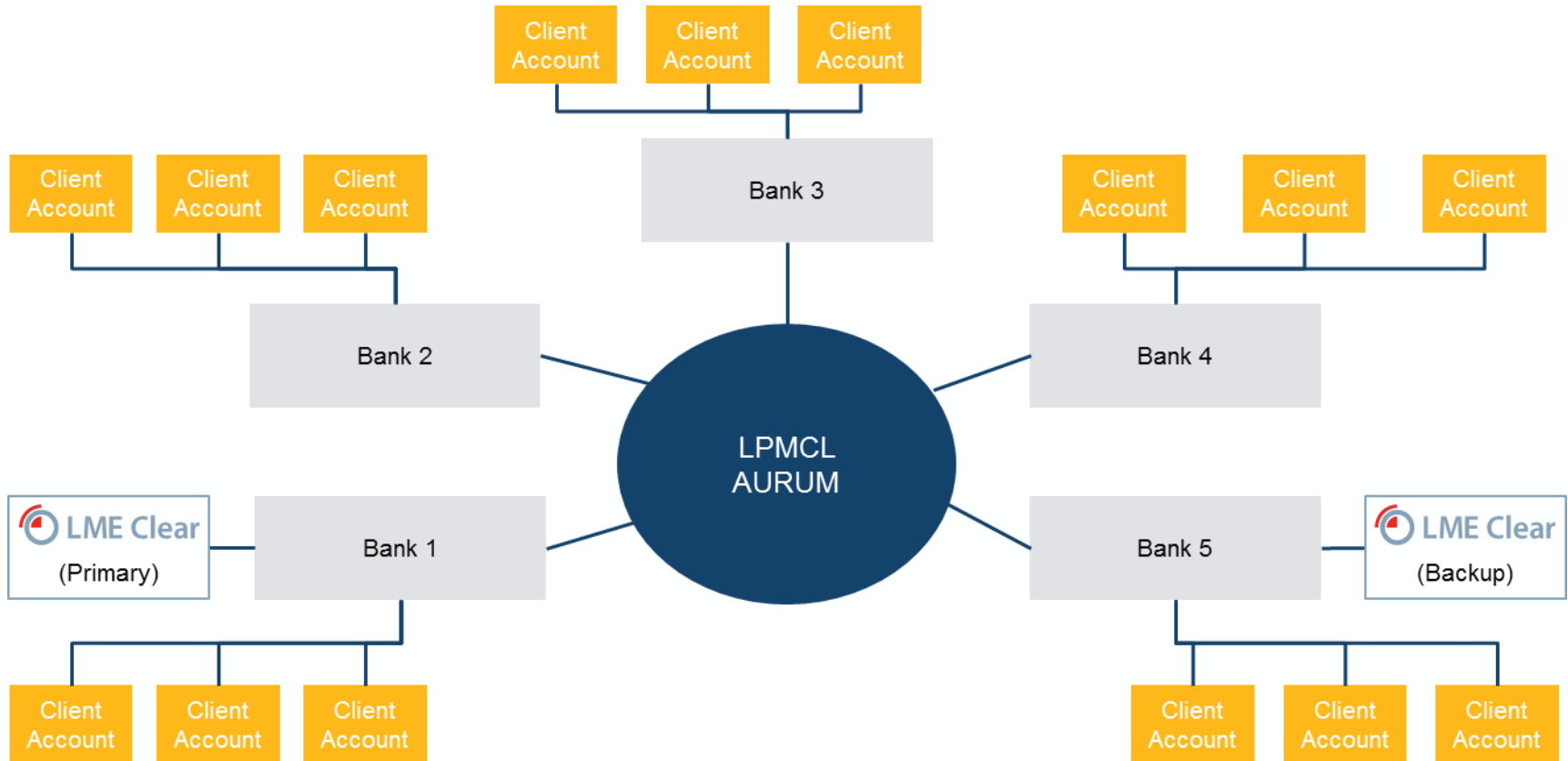
- Segregated default fund

Scanning Range

Metal	Feb-18	% Price
Gold	\$71	5.7%
Silver	\$2.46	16.7%

Settlement

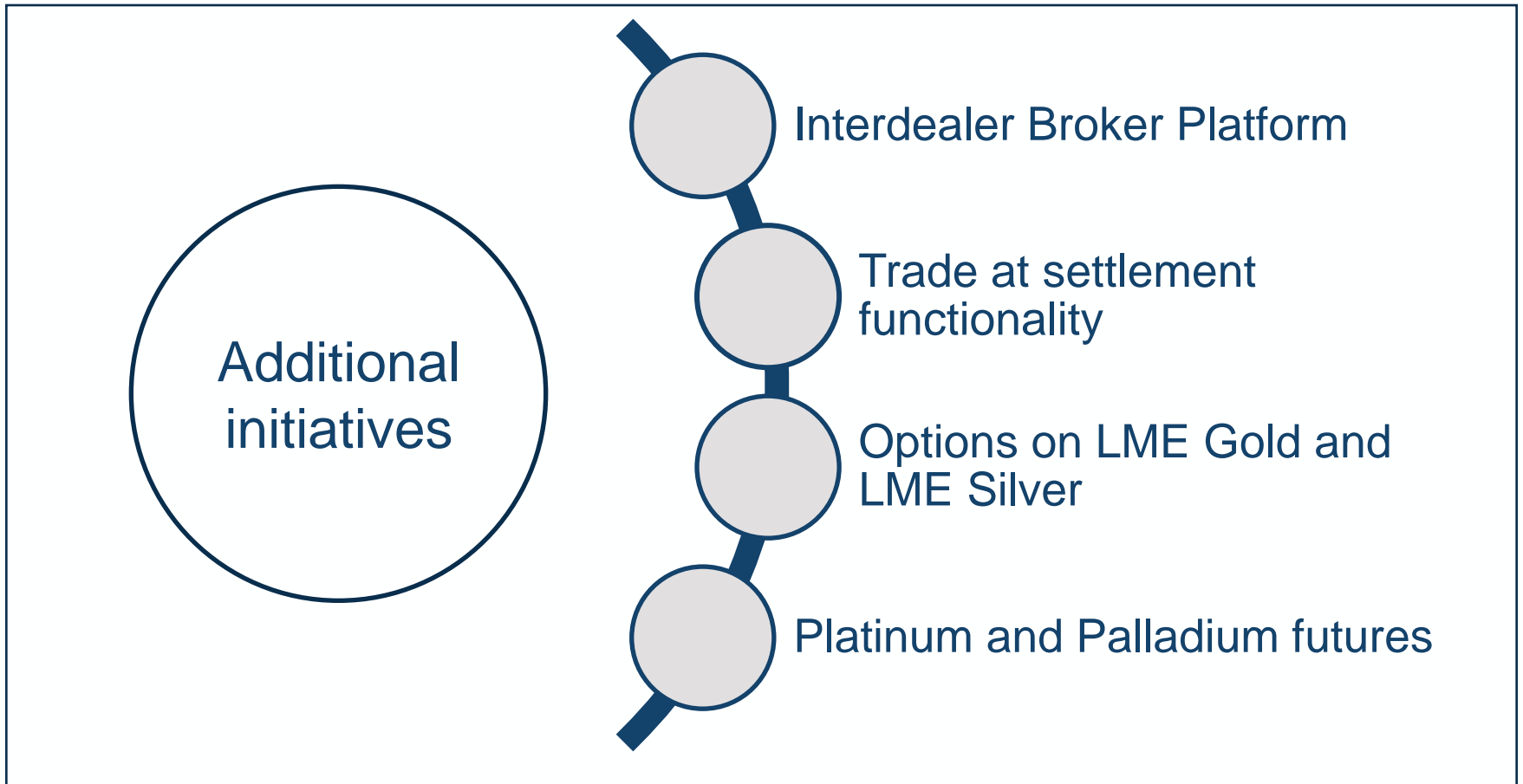
Utilises existing market infrastructure, settlement on a net basis by account



LMEprecious enhancements

LMEprecious further developments

Additional functionality and new products



Appendix

LMEprecious contract specifications

	LME Gold		LME Silver	
Delivery	Unallocated Loco London Gold		Unallocated Loco London Silver	
Lot size	100 fine troy ounces		5,000 fine troy ounces	
Price quotation	US Dollars and cents per fine troy ounce		US Dollars and cents per fine troy ounce	
Trading venues	LMEselect	Inter-office market	LMEselect	Inter-office market
Contract period	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
Trading hours	01:00 – 20:00 London time	24 hours	01:00 – 20:00 London time	24 hours
Minimum price fluctuation (tick size)	\$0.100 per fine troy ounce	\$0.001 per fine troy ounce	\$0.00500 per fine troy ounce	\$0.00001 per fine troy ounce
(Carries)	\$0.001 per fine troy ounce	\$0.001 per fine troy ounce	\$0.00001 per fine troy ounce	\$0.00001 per fine troy ounce
Daily settlement price	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	
Settlement procedure	Unallocated Precious Metal deliveries to LME Clear's nominated Precious Metal Clearer		Unallocated Precious Metal deliveries to LME Clear's nominated Precious Metal Clearer	

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

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

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