What is TAS?

In futures markets, trade-at-settlement (TAS) is a specific type of electronic order book that allows buyers and sellers to trade at, or near to, the yet-to-be established settlement price* of an underlying asset.

The new TAS order book at the London Metal Exchange (LME) specifically allows participants to electronically trade the Closing Price (of 3-month LME Nickel) before the Closing Price is discovered.

Why is TAS important?

The LME begins an electronic VWAP Closing Price trial for 3-month LME Nickel on 18 March 2019, for three months. During the trial, TAS will enable participants to (electronically) continue to “trade at the close” – a practise currently achieved via the LME’s open-outcry trading floor, the Ring.

How does TAS work?

While the TAS order book is open each day (from 01.00 to 17.00/02**) participants will be able to use TAS functionality to enter buy or sell orders level to, or at $1.00 ticks above and below, the yet-to-be discovered LME 3-month Nickel Closing Price.

If the order is filled, the order will convert into a long or short LME Nickel 3-month contract, at a price level to, above or below the Closing Price.

<table>
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<tr>
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Example LME Nickel 3-month TAS LMEselect orderbook

Example:
- Participant enters an order to buy 10 lots of 3-month nickel TAS at +$1 – nothing happens yet as order not filled
- Second participant enters order to sell 10 lots of 3-month nickel at TAS +$1 – this matches with the first order, and the TAS orders of Participant 1 and 2 are filled.
- The Closing Price is determined (either on the Ring, or using the electronic VWAP) – for example at $12,000
- Participant 1 is now long 10 lots of nickel at $12,001
- Participant 2 is now short 10 lots of nickel at $12,001

TAS Benefits

- Reduce uncertainty by locking in the Closing Price – at any point of the trading day
- Achieve the close, before the close
- Transparent and electronic access to efficient execution of Closing Price
- Eliminate slippage of execution
- Simple and a transparent VWAP price discovery
- Available on LMEselect and inter-office telephone market
- TAS order book visible until the close of the VWAP
- Finer price granularity

*The “settlement price” - the price used for end-of-day valuations and margining - at the LME is known as the “Closing Price”.

** All times = London time
An LME TAS (trade-at-settlement) order type allows a trader to enter an order to buy or sell a contract (during the course of the trading day) at a price that is equal to, or a number of $1 ticks above or below the 3-month Closing Price.

Tick size: $1.00

Price band: Initially 25 ticks above and below zero

Lot size: 6 metric tonnes

Underlying contract: LME Nickel

Trading window: 01:00 - 17:02 (when Closing Prices are established on LMEselect)

01:00 17:00 (when Closing Prices are established on Ring)

Fees: $0.50 per lot, per leg, per side

Reference price: LME Nickel 3-month Closing Price

Settlement type: Into underlying 3-month LME Nickel future

For more information please contact sales@lme.com

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