

TAS – Trade at Settlement



SETTING THE GLOBAL STANDARD

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 Closing Price trial for 3-month LME Nickel on 18 March 2019.

During the VWAP trial, TAS will enable participants to electronically 'trade at the close' (i.e. buy or sell at the LME Closing Price) - a practice 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.

Contract	BQty	Bid	Offer	OQty
NID3M_TAS_TC	90	0.00	1.00	130
	70	-1.00	2.00	105
	220	-2.00	3.00	50
	80	-3.00	4.00	50
	110	-4.00	6.00	30
	100	-5.00		

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 or end of the Ring session
- 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".

**17.00 for Ring and 17.02 for VWAP. All times = London time.

LME Nickel TAS: Specifications

Description	LME TAS 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
Trading venues	LMEselect, inter-office telephone market

For more information please contact sales@lme.com

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