

To: All members and other interested parties

Ref: 17/220

Classification: Trading Technical

Date: 30 June 2017

Subject: **LMEPRECIOUS PRODUCTS - FIX KEY AND THROTTLING POLICY, PRICING PROCEDURES, DYNAMIC PRICE BANDING, NO CANCELLATION RANGES AND OPEN INTEREST PROCESS**

## Summary

1. LME Notice 17/142, dated 24 April 2017, announced that the London Metal Exchange (“**LME**”) will be launching the LMEprecious Service (“**LMEprecious**”) on Monday 10 July 2017, which will be tradable on LME Select (“**LMEselect**”) and the inter-office market.
2. This Notice sets out:
  - a) The FIX key and FIX message throttling policy for the LMEprecious products on LMEselect;
  - b) The pricing procedures to be used by the LME to determine the LMEprecious Final Settlement Price and LMEprecious Daily Settlement Price;
  - c) The LMEprecious no cancellation ranges (“**NCRs**”) and dynamic price banding (“**DPB**”); and
  - d) The process for reporting open interest for LMEprecious products.

## Capitalised terms

3. Capitalised terms not otherwise defined herein shall have the meaning ascribed to them in the rules and regulations of the LME (the “**Rules**”).

## LMEprecious FIX key and FIX message throttling policy

4. This section should be read in conjunction with Regulation 1.1 of Part 3 of the LME Rulebook, together with the Connectivity Policy which can be found on the LME website, and LME Notice 11/107:A103, dated 28 April 2011.



5. The policy of throttling incoming FIX messages for order entry, order update, cancellation and execution requests is designed to ensure the orderly conduct of trading on LMEselect and to protect LME and Member systems.
6. LMEprecious will have the following FIX key and throttle limits:
  - a) LMEprecious Members:  
Order entry – up to 4 FIX keys @ 40 orders per second per key  
Market data – up to 4 FIX keys
  - b) LMEprecious Market Data users:  
Market data – up to 4 FIX keys
  - c) Market Data Vendors:  
Market data – up to 5 FIX keys
7. FIX Order entry / update messages submitted in excess of the throttling policy limit in any given second will be queued by the system and smoothed over the following seconds according to the limit maximum, rather than be rejected.

### **LMEprecious pricing procedures**

8. As set out in Regulation 2.6 and 2.7 of Part 13 of the Rules, LMEprecious will be tradable on LMEselect between 01.00 hours and 20.00 hours London time on each Business Day, and on the inter-office market 24 hours a day during each Business Day. The last trading time for LMEprecious will be 16.00 hours London time on the Last Trading Day.
9. The LMEprecious Final Settlement Price will be calculated using a volume weighted average price (“**VWAP**”) from transactions on LMEselect. The prices will be discovered and published using the procedures set out in Regulation 5.7 of Part 3 of the LME Rulebook.

### **VWAP timing and publication**

10. Notice 17/116, dated 4 April 2017, set out the periods between which the volume weighted average price (“**VWAP**”) will be calculated for LMEprecious. These are restated in paragraph 11 below for convenience.
11. The LMEprecious Daily Settlement Price shall be calculated using a VWAP from transactions on LMEselect between:



- a) 15:58 and 16:00 hours, in relation to LMEprecious Contracts with a Prompt Date of T+1 (as defined in Part 13, Regulation 2.4); and
- b) 18:28 and 18:30 hours, in relation to LMEprecious Contracts with all other Prompt Dates.

The LMEprecious Final Settlement Price for a particular Prompt Date shall be the LMEprecious Daily Settlement Price determined pursuant to (a) above on the last Business Day prior to the relevant Prompt Date.

12. The minimum volume threshold requirement for the calculation of the LMEprecious Daily Settlement Price will be 25 lots.

13. When all Contract prices have been discovered for the LMEprecious Daily Settlement Price, they will be published at the approximate times listed below:

<b>Contract</b>	<b>Provisional LMEselect message</b>	<b>Confirmed LMEselect message</b>	<b>Provisional prices to vendors</b>	<b>Confirmed prices to vendors</b>
LME Gold	18.45	18.50	18.45	18:50
LME Silver	18.45	18.50	18.45	18:50

- All prices published will be available for Members to retrieve on the SFTP server as a PDF document.
- This document will be for Members to formally review as part of the objection process.
- The objection process will last for 5 minutes and will commence once the prices are available on the SFTP server.
- Any objections should be sent to the LME at [closingprices@lme.com](mailto:closingprices@lme.com).
- The LME will review objections and notify resolutions to the market as soon as is practically possible thereafter:
  - a) Changes will result in a new PDF available on the SFTP server;
  - b) No changes will result in prices being confirmed in line with the above timelines where possible; and



c) All changes, where appropriate, will be communicated via an LMEselect market message.

- Prices will also be made available to licensed data vendors in line with the times as laid out in the previous table.

14. When T+1 prices have been discovered for the LMEprecious Final Settlement Price, they will be published at approximately 18:50 hours.

### **No Cancellation Ranges (NCRs)**

15. This paragraph should be read in conjunction with LME Notice 16/045:R002, dated 5 February 2016. LMEprecious NCR limits can be found in Appendix 1.

### **Dynamic Price Banding (DPB)**

16. This paragraph should be read in conjunction with LME Notice 17/050, dated 3 February 2017. LMEprecious DPB limits can be found in Appendix 2.

### **Reporting of open interest on LMEprecious**

17. Members are advised that the process for the reporting of daily open interest for the LMEprecious Service is the same as the process for the submission of open interest for the LME Base Service.

18. Members are however reminded that where they will be using a separate LMEprecious mnemonic to the mnemonic used for base metals, the testing of the submission of open interest data for Gold (AU) and Silver (AG) contracts to the LME DPRS system must be completed prior to the LMEprecious go-live date of 10 July 2017 (subject to regulatory approval). New mnemonics for LMEprecious must be set-up at least two days prior to go-live. If they have not already done so, Members should contact the Market Surveillance department at [market.surveillance@lme.com](mailto:market.surveillance@lme.com) to arrange for the submission of test files. Those Members who will be using their existing LME base metals mnemonic to submit LMEprecious data to DPRS are not required to submit a test file for Gold (AU) and Silver (AG) contracts, however they are recommended to do so.

19. If Members have any queries about the process for reporting open interest (either for LMEprecious or base metals), they should contact the Market Surveillance department at [market.surveillance@lme.com](mailto:market.surveillance@lme.com).

### **General**

20. All queries or concerns should be directed to [TradingOperations@lme.com](mailto:TradingOperations@lme.com) or +44 (0)20 7113 8200.



**Katie Dowd**

**Senior Trading Operations Manager**

cc: Board directors

Trading Committee

Ring Dealers Committee

Traded Options Committee

## Appendix 1 - NCRs

DAYS	CARRIES	
	AU	AG
1	\$0.30	\$0.05
2	\$0.30	\$0.05
3 - 7	\$0.40	\$0.08
8 - 14	\$0.40	\$0.08
15 - 45	\$0.50	\$0.10
46 - 105	\$1.00	\$0.15
106 - 400	\$2.00	\$0.20
401 - 750	\$3.50	\$0.35
751 - 1150	\$5.50	\$0.55
> 1150	\$8.00	\$0.80

	OUTRIGHTS	
	AU	AG
NCR	\$25.00	\$1.00

*Please note that values displayed in the table are + / - either side of the prevailing market price. For example, if a value is stated as \$10, the full range will be \$20 (+10 / -10 of the market price).*

## Appendix 2 - DPB

DAYS	CARRIES	
	AU	AG
1	\$1.60	\$0.25
2	\$1.60	\$0.25
3 - 7	\$2.10	\$0.40
8 - 14	\$2.10	\$0.40
15 - 45	\$2.50	\$0.50
46 - 105	\$5.00	\$0.75
106 - 400	\$10.00	\$1.00
401 - 750	\$17.00	\$1.70
751 - 1150	\$27.00	\$2.70
> 1150	\$40.00	\$4.00

	OUTRIGHTS	
	AU	AG
DPB	\$50.00	\$2.00

*Please note that values displayed in the table are + / - either side of the prevailing market price. For example, if a value is stated as \$10, the full range will be \$20 (+10 / -10 of the market price).*