

To: All Members

Ref: 20/073

Classification: Trading General

Date: 20 March 2020

Subject: **LME ELECTRONIC PRICING**

## Summary

1. This Notice confirms the commencement of a temporary period of electronic pricing and Ring suspension.

## Electronic trading

2. As indicated in Notice 20/067, LME pricing will be conducted electronically, with effect from Monday 23 March 2020, for a temporary period during the current challenges associated with COVID-19. During this time, Ring trading will be suspended.
3. The procedures in Notice 20/069 will apply in respect of the electronic pricing process.

## Further background

4. An email sent to members and LME committee members can be found in Annex A.
5. Further information can be found at: <https://www.lme.com/en-GB/About/Corporate-information/Business-continuity/COVID-19-preparedness>

**Matthew Chamberlain**  
CEO

cc: Board directors  
All Committees



## ANNEX A (MARKET EMAIL)

Dear all,

In these challenging times around the world, our thoughts are foremost with all those who are helping our society to tackle this unprecedented situation – healthcare professionals, the security services, public officials and logistics operators, to name just a few. We are deeply grateful for all their continuing efforts.

During this period, it remains our core intention to ensure that the LME safely and effectively continues to provide pricing and hedging services to the global metals community. We know this is consistent with the strenuous efforts that our members, clients, listed brands and warehouse operators are themselves undertaking, to keep the global flow of metals underway. However, we have all had to adapt our ways of working, to ensure that we fully respect the health of our employees, partners and our broader society.

Accordingly, and as indicated earlier this week, the LME will be temporarily suspending Ring trading, effective Monday 23 March. During this period, the LME's metals prices will be produced on the basis of electronic activity on the LMEselect platform.

From a technical standpoint, the LME is confident that we are ready to support this temporary electronic pricing period. The expertise of our Market Operations team, together with technology which was built in connection with 2019's nickel closing price trial, positions the Exchange well to bridge this period of change.

However, the effective introduction of electronic pricing on Monday will also involve adaptation from our market. Over the past week, we have had a close and continuous dialogue with our members, and especially our ring-dealing members – and we would like to record our thanks to them for the highly cooperative manner in which they have engaged with us. As a result of this feedback, we have further refined our operating procedures for electronic pricing, which were published yesterday.

In particular, we would note that our electronic pricing can best reflect market conditions when liquidity is visible on LMEselect. This will particularly be the case for our cash (spot) pricing, which usually does not trade as an outright contract on LMEselect. Based on market discussions, we have enabled implied pricing between the liquid 3M date and the cash date – this, combined with liquidity on the cash-3M carry which has been helpfully provided by a number of our Cat1 partners, has resulted in a liquid outright cash book across our main metals today. We hope that this provides confidence to the market as to electronic cash market liquidity – and, the more that our users interact with and add to this liquidity, the more globally-representative the electronically-derived cash pricing will be.

Clearly, our users who are looking to trade at official or closing prices will need to be mindful of the different market dynamics, and are encouraged to speak with their members to understand potential changes to workflows. Based on member discussions, the LME is also investigating the possibility of rolling-out further trade at settlement ("TAS") books. Currently, TAS is enabled for the 3M nickel closing price – but, if market demand is present, then we can look to roll this out for other metals, and other prices.

Once again, we are grateful for all of the support of our stakeholders, and most particularly our ring-dealing members who are working so closely with us at this time. The LME stands ready to discuss any queries which may arise from our members, clients and other partners.

With our best wishes,

London Metal Exchange