

To: All Members and other interested parties

Ref: 20/276 (LME Notice)  
20-047 (LMEC Circular)

Date: 9 December 2020

Classification: Trading Fees

Subject: **AMENDMENT TO THE 2020 FERROUS ELECTRONIC QUOTING  
PROGRAMME OBLIGATIONS**

## Summary

1. This Notice (the “**Notice**”) sets out details of an amendment to certain obligations relating to the ferrous electronic quoting programme (the “**2020 Ferrous EQ Programme**”) announced in Notice 20/093 published on 1 April 2020.

## Defined Terms

2. Terms not otherwise defined in this Notice shall have the meanings ascribed to them in the General Terms of the LME incentive programmes (“**General Terms**”) and terms not defined in the General Terms shall have the meaning given to them in the Rules and Regulations of the LME (the “**LME Rules**”).

## 2020 Ferrous EQ Programme

3. The obligations of Participants in respect of the 2020 Ferrous EQ Programme with regards to the LME Steel HRC N America (Platts) contract have been updated.
4. The specifications of the 2020 Ferrous EQ Programme are set out in the updated incentive programme specification document entitled “LME 2020 Ferrous EQ Programme - Incentive Programme Specification” that accompanies this Notice and is published separately on the LME website.



## **Questions**

5. Members or other interested parties with any questions in respect of the 2020 Ferrous EQ Programme are invited to contact the LME Market Development department by email to [ferrous@lme.com](mailto:ferrous@lme.com).

**Alberto Xodo**

**VP Sales**

cc: Board directors  
Steel Committee

## INCENTIVE PROGRAMME SPECIFICATIONS

### 2020 Ferrous Electronic Quoting (“2020 Ferrous EQ Programme”) Programme

1. This programme is governed by the General Terms of the LME incentive programmes. This document can be obtained on the LME website or from the Sales team at [sales@lme.com](mailto:sales@lme.com).
2. Capitalised terms not otherwise defined in this Specification shall have the meaning ascribed to them in the General Terms of the LME incentive programmes.

### Eligible Contracts

3. LME Steel Scrap, LME Steel Rebar, LME Steel HRC N America, and LME Steel HRC FOB China (“**Eligible Contracts**”). Other ferrous contracts may be added to the 2020 Ferrous EQ Programme via Notice.

### Eligibility Criteria

4. The Exchange may designate up to four (4) Participants in the 2020 Ferrous EQ Programme.
5. To be eligible for the 2020 Ferrous EQ Programme, a Participant:
  - i. must be a Member, Client or Indirect Client;
  - ii. must, at the LME’s absolute discretion, have the experience, technical and operational ability to meet the EQ Obligations.

### EQ Obligations

6. The obligations for Participants, are as follows (“**EQ Obligations**”):

	Obligations		Notes
Prompts and lots per side (must provide quotes in each prompt)	Outrights	M1 to M7 (inclusive) – 5 lots per side M8 to M14 (inclusive) – 1 lot per side	Larger lot sizes can be quoted, but must be broadly symmetrical in size.
	Carries	M1-M2, M2-M3, M2-M4, M2-M5 and M2-M6 – 1 lot per side	
Bid offer spread	Outrights within \$8 Carries within \$5		Staggered quotes will be permitted, but the total required number of lots must be within the stated bid offer.
Quoting hours	5am-5pm London time		N/A
Required presence	Minimum of 9 hours per trading day per contract		N/A



7. Following Notice 20/276 published on 09 December 2020, and with effect from 10 December 2020 to 31 March 2021, the obligations for Participants with regards to the LME Steel HRC N America contract, are as follows:

	Obligations		Notes
Prompts and lots per side (must provide quotes in each prompt)	Outrights	M1 to M14 (inclusive) – 1 lot per side	Larger lot sizes can be quoted, but must be broadly symmetrical in size.
	Carries	none	
Bid offer spread	Outrights within \$10		Staggered quotes will be permitted, but the total required number of lots must be within the stated bid offer.
Quoting hours	5am-5pm London time		N/A
Required presence	Minimum of 9 hours per trading day per contract		N/A

8. For the avoidance of doubt, the EQ Obligations for the other three Eligible Contracts remain unchanged and in accordance in with paragraph 6 above.

### Incentives for the 2020 Ferrous EQ Programme

- Participants will be eligible for trading and clearing fee rebates of inter-office and LMEselect trades where they have met at least 50.00% of the EQ Obligations on an aggregate basis across the Eligible Contracts.
- In order to determine whether a Participant has met 50.00% of the EQ Obligations for these purposes, the LME will determine the percentage of the EQ Obligations that the Participant has met in relation to each of the Eligible Contracts, then calculate the arithmetic average of these figures.
- Each Participant will also have access to a monthly stipend of up to US\$15,000.
- In order to be eligible for the monthly stipend, Participants must meet at least 50.00% of the EQ Obligations.
- The monthly payable stipend for each Participant, will be calculated pro-rata on the same basis as set out in paragraph 8 above.
- Please see the worked examples set out in the Appendix, which are non-exhaustive and provided for illustrative purposes only.
- When Ferrous EQ Participants trade, they will be allowed a grace period of sixty seconds to re-enter the required bid or offer, to ensure that they are maintaining their bid-offer spread.



## **Duration and application process**

16. The 2020 Ferrous EQ Programme will commence on 15 April 2020 and terminate on 31 March 2021.
17. Interested parties are invited to submit their applications to the LME Market Development department at [ferrous@lme.com](mailto:ferrous@lme.com) before 8 April 2020. Interested parties should be ready to commence electronic quoting on 15 April 2020.
18. Thereafter, interested parties may submit their applications at any time until the termination of the 2020 Ferrous EQ Programme and the LME may appoint additional participants if it deems it is in the best interests of the market to do so.
19. Interested parties must also submit, as part of their application, additional information related to:
  - i. the operational costs (such operational costs are likely to include the costs of staff responsible for electronic quoting, IT software and IT support) that are expected to be incurred in performing the required electronic quoting activities;
  - ii. the party's knowledge of the ferrous industry and of the Eligible Contracts; and
  - iii. the party's previous activity in the Eligible Contracts; and
  - iv. the party's participation in other LME incentive programmes.
20. The Exchange will base its selection on the evidence provided by applicants, in accordance with paragraph 17 above, and on the history of previous trading activity, electronic quoting and performance in previous LME incentive programmes for the Eligible contracts.

## **Changes to the programme**

21. The LME reserves the right to remove Participants from the 2020 Ferrous EQ Programme at its own discretion.

## **Payment process**

22. The trade identifiers for the monitoring of performance under the 2020 Ferrous EQ Programme will be the specific registered combination of:
  - Fix Tag 58
  - Fix Key
  - Fix Tag 109
23. The LME will not calculate rebates in respect of Client or Indirect Client Participants who trade through multiple Members. The application form will require that each Participant (who is a Client or Indirect Client) identifies a single Member through which it will undertake Ferrous EQ activities for the purposes of this programme.



24. Rebates and monthly stipend payments (where applicable) will be credited to Members two months in arrears for the 2020 Ferrous EQ Programme. For example, Ferrous EQ activities conducted in January will be calculated in February and credited in March.



## Appendix

### Worked examples of rebate and monthly stipend payment calculations

The following worked calculations are provided for illustrative purposes only, and set out a non-exhaustive list of examples showing how rebate and monthly stipend entitlements will be calculated by the Exchange.

For simplicity, the following examples are based on a programme with only two products available: LME Steel Scrap and LME Steel Rebar.

Scenarios	Percentage of obligations met by relevant Participant	Percentage of rebate on trading and clearing fees and of payable monthly stipend
A	100% in Steel Scrap and 100% in Steel Rebar	100% $((100\%+100\%)/2)$
B	90% in Steel Scrap and 70% in Steel Rebar	80% $((90\%+70\%)/2)$
C	45% in Steel Scrap and 80% in Steel Rebar	62.5% $((45\%+80\%)/2)$
D	55% in Steel Scrap and 20% in Steel Rebar	0% $((55\%+20\%)/2 < 50\%$ therefore 0%)