

To: All members  
Ref: 21/041  
Classification: Trading General  
Date: 10 March 2021

**UPDATED BUSINESS CONTINUITY PLANS FOR LME BASE METAL FUTURES, ALUMINIUM PREMIUM CONTRACTS AND CASH-SETTLED FUTURES**

**Summary**

1. This Notice restates and updates the Policy for establishing:
  - (a) the Official and Closing Prices on LMEselect in the event the Ring is not available or disrupted; and
  - (b) the Cash-Settled Future Daily Settlement Price for a number of Cash-Settled Futures in the event that trading is disrupted on LMEselect during the relevant Pricing Period(the "Policy").

**Defined Terms**

2. Terms not otherwise defined in this Notice shall have the meaning ascribed to them in the rules and regulations of the LME ("Rulebook") or the Benchmark Administration – Definitions document ("Definitions") available on the LME website, as applicable, and in each case as amended from time to time.

**Background**

3. The Policy aims to ensure that the LME is able to determine the Official and Closing Prices for base Metal Futures, Aluminium Premium Contracts and the Cash-Settled Futures Daily Settlement Prices in the event the Ring is unavailable, or trading, either in the Ring or on LMEselect, is disrupted.
4. The LME's temporary move to electronic pricing commenced on Monday 23 March 2020, following the suspension of Ring trading due to the COVID-19 pandemic (Notice 20/067).



5. In October 2020, the LME announced plans to form a working group, made up of User Committee and Category 1 representatives, to help to plan and prepare for the prolonged suspension of Ring trading. The group was to consider, among other items, whether enhancements could be made to the LME's electronic pricing mechanism to ensure it functions as effectively as possible – particularly in respect of the Closing Price forward curve.
6. Following extensive discussions with the LME's working group, the decision was taken in December to make some small enhancements to its closing price mechanism in order to align it better with the electronic price discovery context during the period the Ring is suspended.
7. The Policy has now been updated in the light of these discussions. This Notice supersedes and replaces LME Notice 20/242, dated 6 November 2020.
8. The key changes made to the Policy by this Notice (set out in Appendix 1) are designed to provide additional granularity in respect of certain aspects of, rather than to introduce material changes to, the existing methodology. The key aspects to which changes are being made include the following:
  - (a) separating spread activity and outright activity for the Closing Price determination process for all metals except Cobalt, Aluminum Alloy, NASAAC and Aluminum Premium Contracts, which the LME believes will be beneficial for the market by giving greater clarity and focus for both spread and outright trading (see Paragraph 9 of the Policy); and
  - (b) including additional detail on the exercise of expert judgement by the Quotations Committee, as set out in Paragraph 11 of the Policy.
9. Additionally, for ease of reference, Appendix 2 sets out the Minimum Volume Requirement Thresholds ("MVR Thresholds"), Minimum Visible Volume Requirements ("MVVR") and Volume Weighted Average Price ("VWAP") rounding protocol applicable to the Policy. This information is correct as at the date of this Notice, with the binding MVR Thresholds, MVVRs and VWAP rounding protocol being set out on the LME website, as updated from time to time.
10. For the avoidance of doubt, the working group and resulting enhancements made to the electronic pricing mechanism pertain to the application of the LME's business continuity policy only. This workstream was and continues to be conducted in parallel with considerations regarding the long-term future of LME reference pricing set out in the LME Discussion Paper on Market Structure (Notice 21/011).
11. The LME continues to engage with, and welcome feedback from, the market regarding this Policy and reserves the right to make further changes in due course.



12. We are committed to monitoring the application of the business continuity pricing methodology and continuing to discuss proposed enhancements with market stakeholders.

#### **Effective date**

13. With effect from Monday 29 March 2021, the version of the Policy set out in Appendix 1 to this Notice shall replace any and all previous versions of the Policy.

#### **General**

14. If Members or other interested parties have any questions or requests for further clarification regarding the Policy, or would like to see a redline showing the changes against the version of the Policy contained in Notice 20/242 dated 06 November 2020, please contact Trading Operations at [tradingoperations@lme.com](mailto:tradingoperations@lme.com).

**James Macdonald**  
**Head of Trading Operations**

cc: Board directors  
Ring Dealers Committee  
User Committee



## APPENDIX 1

### **POLICY FOR ESTABLISHING (A) OFFICIAL AND CLOSING PRICES ON LMESELECT IN THE EVENT THAT THE RING IS NOT AVAILABLE OR TRADING IS DISRUPTED AND (B) CASH-SETTLED FUTURE DAILY SETTLEMENT PRICE FOR CASH-SETTLED FUTURES IN THE EVENT THAT TRADING ON LMESELECT IS DISRUPTED DURING THE RELEVANT VWAP WINDOW**

#### **Defined Terms**

1. Capitalised terms not otherwise defined herein shall have the meaning ascribed to them in the rules and regulations of the LME (“Rulebook”) or the Benchmark Administration – Definitions document (“Definitions”) available on the LME’s website, as applicable, and in each case as amended from time to time.

#### **Policy**

2. To ensure continuity in the publication of the LME’s prices in the event that the Ring is not available, or trading is disrupted by an emergency:
  - (a) the Official and Closing Prices will be established by the Quotations Committee basis LMEselect activity, in accordance with the provisions set out in Paragraphs 3 to 13 (inclusive); and
  - (b) the Cash-Settled Future Daily Settlement Price for Cash-Settled Futures shall be determined in accordance with the provisions in Paragraph 17.

#### **Establishment of Official and Closing Prices**

3. In the event that the Ring is not available, or Ring activity is disrupted by an emergency situation, the LME will endeavour to continue establishing the Official Prices and Closing Prices for each base Metal Future and each Aluminium Premium Contract at the prescribed times. Where this is not possible, or if Ring trading is disrupted while the Ring is in operation, the LME will communicate revised times for determining the Official Prices and/or Closing Prices for any relevant Metal Future or Aluminium Premium Contract as soon as is practically possible. Any Official Price or Closing Price established in the Ring before the LME’s business continuity procedures are invoked may stand, subject to the discretion of the Quotations Committee.

#### **Arrangements for key Prompt Dates**

4. The following Official Prices and Closing Prices will be determined using a volume weighted average price (“VWAP”) from transactions on LMEselect over a 5 minute pricing period (“Pricing Period”), where the minimum volume requirement threshold (“MVR Threshold”) is met:
  - i) **Cash and 3 months for Officials and 3 months for Closing Prices for Metal Futures;** and



**ii) Month 1 for Aluminium Premium Contracts.**

The VWAPs will then be rounded up or down, as applicable, in accordance with the protocol set out on the LME's website, and updated from time to time. For information on the determination of all other Prompt Dates (for which Official Prices and Closing Prices are published) please refer to Paragraphs 9 to 13

5. For the Official Prices referred to in Paragraph 4, the Pricing Period will be the period that would have constituted the 5 minutes of the second Ring of the first session for the relevant metal as set out on the LME's website from time to time. For the Closing Prices referred to in Paragraph 4, the Pricing Period will be the time that would have constituted the last 5 minutes of the kerb in the second session for the relevant metal as set out on the LME's website from time to time.
6. The MVR Thresholds are set out on the LME's website and are subject to change from time to time following ongoing review of market activity, and consultation where required. All LMEselect trades in outright for the relevant Prompt Date for the relevant Metal Future or Aluminium Premium Contract that occur during the relevant Pricing Period will be considered for the purposes of the MVR Threshold and VWAP calculation, unless the LME excludes any trade it deems erroneous, such determination being at the LME's absolute discretion.
7. The Official and Closing Prices determined under this Policy for each metal will only be one price and not a two-way bid/offer price (as would typically be the case). However, this single price will be disseminated on the LME market data feed as both the bid and the offer price – and, for the purposes of usage of the data (in physical supply contracts or otherwise), the LME considers that the single price may be utilised as both the bid and offer price.
8. If the relevant MVR Threshold is not reached, the Quotations Committee shall determine the Official Price and Closing Price for the affected Prompt Date using the following pricing waterfall:
  - a) it shall be the last traded price on LMEselect during the Pricing Period if the last traded price is within, or at, the bid/offer on the close of the relevant Pricing Period;
  - b) if the last traded price on LMEselect during the Pricing Period is outside of the bid/offer on the close of the Pricing Period, then the bid/offer closest to the last traded price will be used;
  - c) if the relevant Metal Future or Aluminium Premium Contract is untraded on LMEselect during the Pricing Period, but has traded on LMEselect prior to the Pricing Period and/or where a bid/offer is available at the close of the Pricing Period, the price will be determined using the last trade (or last valuation where untraded) in conjunction with the available bid/offer information to determine the price;
  - d) if the relevant Metal Future or Aluminium Premium Contract is untraded on LMEselect during or prior to the Pricing Period and there is no bid and/or offer



available on the close of the Pricing Period, the price will be determined using available spread information and the last valuation.

The Official Price and Closing Price will then be rounded up or down, as applicable, in accordance with the protocol set out on the LME's website from time to time.

Where:

- a) the LME does not have access to sufficient input data necessary to determine the Official Price and Closing Price; or
- b) a linear approach to the pricing waterfall would result in an inaccurate price (in the Quotation Committee's expert judgement),

the LME may set the Official Prices and Closing Prices at a price at its absolute discretion, using expert judgement which includes, but not limited to, referencing data sources and available spread trading information, including but not limited to inter-office activity and prevailing market prices. In these circumstances, the considerations in Paragraphs 10 to 13 may apply.

#### **Arrangements for all other Prompt Dates**

9. The establishment of prices for all other Prompt Dates (i.e. all outright Prompt Dates not listed in Paragraph 4(i) and (ii) above) that are published as part of the Official Prices and Closing Prices will not utilise VWAPs. Rather, they will be determined using the 3 Month outright price established on the basis of the pricing waterfall set out in Paragraph 8, in conjunction with any available spread information. In establishing the spread information, the waterfall set out in Paragraph 8 will be applied with reference to spread orders and spread transactions from LMEselect, as follows:

- (a) Closing Prices: the pricing process will take account of spread orders and transactions placed or transacted before the start of the Pricing Period for Closing Prices<sup>1</sup> (the "Closing Price Cut-off"); and
- (b) Official Prices: the pricing process will take account of spread orders and transactions placed or transacted before the conclusion of the Pricing Period for Official Prices (the "Official Prices Cut-off").

Where the waterfall is not deemed appropriate, the Quotations Committee may use expert judgement in establishing the spread information and for the determination of Official Prices and Closing Prices for the Prompt Dates addressed by this Paragraph 9. Where expert judgement is used, the considerations in Paragraphs 10 to 13 may apply.

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<sup>1</sup> In the case of Cobalt, Aluminium Alloy, NASAAC and Aluminium Premium Contracts, before the end of the Pricing Period for Closing Prices.



## **Expert judgement**

10. The most active months will form the basis for the forward prices. For the purposes of the determination of the forward months for the Official Prices and Closing Prices, the Quotations Committee will give regard to all spread trading activity that has occurred throughout the day in that metal prior to the applicable Cut-off (detailed in Paragraph 9 above). However, it will give particular regard to trading activity and orders placed towards and on the applicable Cut-off, particularly where significant volumes have traded and/or where there is established order depth, in the Quotation Committee's view, to represent a fair reflection of prevailing market prices.
11. Where trades or orders placed do not equate with each other across the forward months resulting in conflicting spreads, the Quotations Committee may use expert judgement to adjust the price curve. Such adjustments, which may include disregarding trades and orders as appropriate, will be made having taken into account all relevant trading activity including, but not limited to:
  - volume traded or volume placed on bids/offers, with particular regard to activity towards the applicable Cut-off. The LME may reference the traded volume or visible volume placed on bids/offers per Contract set out on the LME website from time to time ("Minimum Visible Volume Requirements" or "MVVR") to assist the Quotations Committee to prioritise relevant input data when considering price moves or with conflicting spreads across forward months;
  - the length of time bids/offers have been visible in the LMEselect order book, with bids/offers that were entered first given priority. This may be used in conjunction with the MVVR;
  - any orders that are placed in the last minute prior to the applicable Cut-off; and
  - the manner in which any price has incrementally moved, with particular regard to activity towards the applicable Cut-off.
12. Any trades and/or orders that are deemed to be out of line with prevailing market prices for the forward months will be disregarded by the Quotations Committee at its absolute discretion.
13. For the purposes of determining the forward months for the Closing Prices, the Quotations Committee may validate order and trading activity in LMEselect against other data sources and available spread trading information, including but not limited to inter-office activity and prevailing market prices.

## **Publication of Official Prices**

14. When the Official Prices have been established for each Metal Future and each Aluminium Premium Contract, provisional prices will be published to LMEselect users via an LMEselect market message as soon as is practically possible after the close of the relevant Pricing Period for that metal (with 5 minutes being the target). LMEselect Member users will then have 5 minutes to raise objections to





the provisional prices. If no objections are lodged with the LME after 5 minutes, the status of these prices will become final. If there is an objection lodged with the Quotations Committee, the objection will be reviewed with the resolution published to LMEselect users via an LMEselect market message. Any objections should be sent to the Quotations Committee at [Closing.Prices@lme.com](mailto:Closing.Prices@lme.com).

15. Official Prices will be made available to LME licenced data vendors both in their provisional and final status.

### **Publication of Closing Prices**

16. When the Closing Prices have been established for each Metal Future and each Aluminium Premium Contract, provisional prices will be placed on the LME SFTP server for Category 1, Category 2 and Category 4 Members to view. At the same time, the Closing Prices will be disseminated to LME licenced data vendors with an appropriate message to show the status of these prices as provisional. The timing for the publication of provisional prices will be determined by the Quotations Committee, as soon as is practical after each metal closes out on LMEselect from 4.00 pm (or at a revised time communicated by the LME). The objection procedure will then apply until 5.30 pm (but can be extended subject to the discretion of the Quotations Committee). If no objections are lodged by 5.30 pm, the provisional prices will be the Closing Prices. If there is an objection lodged with the Quotations Committee, this will be reviewed with the resolution published to Members and LME licenced data vendors in the usual way. Any objections should be sent to the Quotations Committee at [Closing.Prices@lme.com](mailto:Closing.Prices@lme.com).

### **Establishment of Cash-Settled Future Daily Settlement Price for Cash-Settled Futures**

17. In the event that trading is disrupted on LMEselect during the relevant VWAP window for a Cash-Settled Future, the Cash-Settled Future Daily Settlement Price shall continue to be determined using the current waterfall pricing methodology, except that a different pricing period shall be used to determine the Cash-Settled Future Daily Settlement Price and the timing of the publication of these prices will be determined by the Quotations Committee at a revised time communicated by the LME.

### **General**

18. For the avoidance of doubt:-
  - (a) the terms “bid” and “offer” at all times refers to best bid and best offer active in the market at the close of the Pricing Period or applicable Cut-off;
  - (b) the Official Prices and Closing Prices for each base Metal Future and each Aluminium Premium Contract will be established at the prescribed times (for example: a Pricing Period ending at 17:00 shall mean 16:55:00.000 - 16:59:59.999);
  - (c) only bids/offers placed and transactions concluded up to the close of each respective Pricing Period on that day will be taken into account for the





purposes of determining the Official Prices and Closing Prices listed in Paragraph 4(i) and (ii) above;

- (d) only bids/offers placed and transactions concluded up until the applicable Cut-off on that day will be taken into account for the purposes of determining the spread information, for example:
  - (i) for Official Prices, where the Pricing Period is between 12:30:00.000 and 12:34:59.999, the Cut-off for when spread activity will be considered would be 12:34:59.999;
  - (ii) for Closing Prices, where the Pricing Period is between 16:55:00.000 and 16:59:59.999, the Cut-off up for when spread activity will be considered would be 16:54:59.999<sup>2</sup>; and
- (e) where the Official Prices have been determined basis this Policy, the Official Settlement Price shall be the offer price for each Cash Prompt Date, or third Wednesday in Month 1 for Aluminium Premiums, that is determined.

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<sup>2</sup> In the case of Cobalt, Aluminium Alloy, NASAAC and Aluminium Premium Contracts, the Cut-off would be the close of the respective Pricing Period



## APPENDIX 2

### MINIMUM VOLUME REQUIREMENT (MVR) THRESHOLDS, MINIMUM VISIBLE VOLUME REQUIREMENTS (MVVRs) AND VWAP ROUNDING PROTOCOL

The table below sets out the MVR Thresholds, MVVRs and VWAP rounding protocol applicable to the LME policy for establishing (a) Official and Closing Prices on LMEselect in the event that the Ring is not available or trading is disrupted and (b) Cash-Settled Future Daily Settlement Prices for Cash-Settled Futures in the event that trading on LMEselect is disrupted during the relevant VWAP window (the “Policy”). The MVR Thresholds, MVVRs and rounding protocol have been provided in this Appendix 2 for ease of reference only; market participants should have regard to the binding MVR Thresholds, MVVRs and rounding protocol that are set out on the LME website, as updated from time to time.

Official Prices					
Metal	Pricing Period	MVR Threshold (lots)		Rounding (\$)	
	VWAP	Cash	3M	VWAP	Non-VWAP
<b>CO</b>	12:20:00.000 – 12:24:59.999	5	5	0.5	5
<b>CA</b>	12:30:00.000 – 12:34:59.999	25	50	0.5	0.5
<b>AA</b>	12:35:00.000 – 12:39:59.999	5	10	0.5	0.5
<b>NA</b>	12:35:00.000 – 12:39:59.999	5	10	0.5	0.5
<b>SN</b>	12:40:00.000 – 12:44:59.999	5	10	1	1
<b>PB</b>	12:45:00.000 – 12:49:59.999	10	25	0.5	0.5
<b>ZS</b>	12:50:00.000 – 12:54:59.999	10	25	0.5	0.5
<b>AH</b>	12:55:00.000 – 12:59:59.999	25	50	0.5	0.5
<b>NI</b>	13:00:00.000 – 13:04:59.999	10	25	1	1
<b>Aluminium Premiums M1</b>	13:05:00.000 – 13:09:59.999	5		0.5	0.5



**Closing Prices**

Metal	Pricing Period	MVR Threshold (lots)	Rounding (\$)		Closing Price Cut-off	MVVR Threshold (Lots)
	VWAP	3M	VWAP	Non-VWAP	Spreads	Spreads
<b>CO</b>	16:20:00.000 - 16:24:59.999	5	0.5	5	16:24:59.999	5
<b>CA</b>	16:45:00.000 - 16:49:59.999	50	0.5	0.5	16:44:59.999	50
<b>AA</b>	16:35:00.000 - 16:39:59.999	10	0.5	0.5	16:39:59.999	5
<b>NA</b>	16:35:00.000 - 16:39:59.999	10	0.5	0.5	16:39:59.999	5
<b>SN</b>	16:05:00.000 - 16:09:59.999	10	1	1	16:04:59.999	10
<b>PB</b>	16:15:00.000 - 16:19:59.999	25	0.5	0.5	16:14:59.999	25
<b>ZS</b>	15:55:00.000 - 15:59:59.999	25	0.5	0.5	15:54:59.999	25
<b>AH</b>	16:30:00.000 - 16:34:59.999	50	0.5	0.5	16:29:59.999	100
<b>NI</b>	16:55:00.000 - 16:59:59.999	25	1	1	16:54:59.999	25
<b>Aluminium Premiums M1</b>	16:35:00.000 - 16:39:59.999	5	0.5	0.5	16:39:59.999	5