

To: All members and other interested parties

Ref: 21/082

Classification: General Updates Trading

Date: 30 April 2021

Subject: **LME MARKET UPDATES**

Summary

1. This Notice confirms the date on which the LME will publish the outcomes of its Discussion Paper on Market Structure. It also provides an update on the Ring trading suspension in respect of COVID-19.

Discussion Paper on Market Structure

2. The LME received an unprecedented volume of feedback on its Discussion Paper on Market Structure, with 192 individual responses. The LME is grateful to all those who took the time to share their views.
3. The LME acknowledges that market participants would like the outcomes of the process to be communicated as soon as possible in order to provide certainty to the market, but it is also balancing this with ensuring that all the feedback is given careful consideration.
4. In order to provide clarity to the market on timing, the LME currently aims to publish the outcomes of the Discussion Paper on Market Structure on or around **8 June 2021**.

Ring suspension

5. In March 2020, in response to the global pandemic, the LME took the decision to suspend Ring trading temporarily. This decision took into account relevant advice from the UK Government, with the key objective of protecting the health and safety of LME staff and the staff of Category 1 members, and preventing the spread of COVID-19.
6. As set out in Notice 20/187, on 28 July 2020, the LME communicated a set of criteria for a return to Ring trading. The LME stated that in order for it to prepare to reopen the Ring it would require either:
 - (a) an end (or significant further relaxation) to social distancing, per UK Government guidance – which likely would itself be driven by a significant reduction in virus transmission; or
 - (b) a widely available vaccine; or
 - (c) some other (as yet unknown) technological solution which would make renewed Ring trading safe.
7. Additionally, the LME stated that it would require that a meaningful number of Category 1 members would be willing to return, and those members would need to collectively represent more than 60% of the total 2019 Ring-traded volume. This criteria is required in order to ensure that price discovery is based on meaningful volume, so that the prices continue to be credible and robust.
8. The LME is cognisant that an earlier return to the Ring, only then for another suspension to be put in place (if circumstances change) could be particularly disruptive to stakeholders. The LME continues, therefore, to assess these criteria in context with the evolving situation.



9. As such, the LME believes it is not yet in a position to confirm a date for reopening the Ring as it is dependent on the progression of the UK vaccination programme and/or an end, or significant further relaxation, to social distancing measures. Absent sufficient clarity on either of these, the LME believes it is prudent to wait before confirming a return date.
10. For guidance, the soonest that the social distancing criteria could be met would be late June 2021, being the earliest point at which the UK Government may lift legal limits on social contact. However, this would require the Government to announce that it intends to lift social distancing guidance at the same time as removing legal limits. The LME would additionally need to receive adequate notice of such intentions, so that appropriate notifications and safety preparations could be made for a confirmed return to the Ring. The LME is closely monitoring the situation and will provide further information as available.
11. Based on the current progress of the vaccination programme, the earliest the vaccine criteria could be met would be late July 2021, at which point all UK adults should have been offered a first dose. However, the LME will need to consider whether it is appropriate to wait for all adults to have been offered both doses, for its vaccination criteria to be met. Again, the LME is closely monitoring the situation and will provide further information as available.
12. As such, the LME is confident that, if the outcome of the Discussion Paper is a retention of the Ring, the announcement timing would not impact the return date. Should the outcome of the Discussion Paper lead to the permanent closure of the Ring, the timing of the announcement, falling during the current suspension, would also minimise any market disruption.
13. The LME commits to keep participants and other stakeholders updated over the course of the coming months.

James Cressy
Chief Operating Officer, LME Group

cc: Board directors
User Committee
Physical Market Committee
All metals committees
Ring Dealers Committee
Traded Options Committee
Warehousing Committee