

To: All members

Ref: 21/161

Classification: Trading

Date: 02 September 2021

Subject: **Definition of a Basis Ring trade and use of Basis Ring venue code**

Summary

1. The LME is issuing this Notice to update the guidance on the definition and execution of Basis Ring trades following the reopening of the Ring on 6 September 2021, and the fact that Closing Prices are now determined electronically rather than in the Ring. This Notice replaces Notice 17/287, dated 25 August 2017.

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 (the “**LME Rulebook**”).

Definition of a Basis Ring trade

3. The Matching Rules state (at paragraph 16) that the Basis Ring venue code applies:
“for any trade agreed between a Category 1 Member and their Client pursuant to an order placed with that Category 1 Member, that is filled during the relevant Ring or kerb session, basis a price(s) discovered in the Ring by Category 1 Members through trading or quoting.”
4. The remainder of this Notice provides further clarification and guidance about the use of the “Basis Ring” Venue Code.
5. Basis Ring trades can only be agreed between Category 1 Members and their Clients while the relevant metal is trading in the Ring or during kerb trading.
6. Basis Ring trades are identified in the Matching System by entering the relevant C* or D* time code in the trade time field. Trades agreed between Category 1 Members and their Clients outside the Ring or kerb sessions must have the “Inter-Office” Venue Code applied when entered into the Matching System.
7. A Basis Ring trade can have as its price an absolute value or a price code. A trade that is matched using a reference price discovered in the Ring - namely “S” - Settlement Price, “YS” – Yesterday’s Settlement Price, “MC” – Mean Cash and “M3” – Mean 3 Month (see paragraph 17 of the Matching Rules) does not automatically qualify as a Basis Ring trade.
8. As Closing Prices are determined electronically and no longer in the Ring, “C” Closing Price and “B” Basis the Closing Price are no longer valid price codes when booking Basis Ring trades.



9. Clients of Category 1 Members can include Category 2, 3 and 4 Members, non- Member customers and permanent office-based teams of other Category 1 Members. The Basis Ring trade fee only applies to Cleared Contracts that meet the functional definition set out in paragraph 3 above and not to Client Contracts (as such terms are defined in the LME Rulebook).
10. Category 1 Members are reminded that trades agreed between their floor based teams behind the Ring or by telephoning each other from their floor offices while the Ring or kerb is in session do not qualify as Basis Ring trades. The LME will monitor all Basis Ring trades to ensure that the above criteria are met and that prices are consistent with prices discovered during Ring or kerb sessions.
11. Only trades that satisfy the criteria in this Notice can be matched as Basis Ring trades. Where members remain in doubt as to the applicability of the Basis Ring trade rules in any particular circumstance, they should seek guidance from the LME's Market Surveillance Department (by contacting Market.Surveillance@lme.com).
12. Failure to comply with the terms of this Notice, or failure to comply with the LME Rulebook or any other Notice, may constitute an act of misconduct and be subject to disciplinary proceedings pursuant to the LME Rulebook.

Peter Mason
Head of Market Surveillance
cc: Board directors