



To: All members and other interested parties

Ref: 22/072

Classification: Trading

Date: 16 March 2022

Subject: **NICKEL CLOSING PRICES**

Summary

1. This Notice confirms that the LME's Nickel Closing Prices traded down to the pre-set 5% daily price limit on LMEselect, and hence (for the purposes of the LME's pricing procedures) that a Disruption Event (as defined in Notice 22/064) has occurred in respect of the Nickel Closing Prices.

Defined Terms

2. Capitalised terms not otherwise defined herein shall have the meaning ascribed to them in the LME Rulebook and related Notices as applicable.

Background

3. LME Nickel trading resumed today, 16 March 2022, at 0800. In order to achieve an orderly return to trading, the LME set a 5% daily price limit (up and down) as set out in Notice 22/067.
4. When trading resumed at 0800 this morning, the 3-month Nickel price immediately fell 5% on LMEselect. Nickel trading on LMEselect was then halted to investigate a technical issue, but successfully resumed at 1400. The inter-office and Ring Execution Venues continued to function as normal throughout the day.

Closing Prices

5. A key element of the day's activity is discovery of the Closing Prices. In accordance with normal practice, Nickel Closing Prices have been calculated based on LMEselect trading, which for Nickel takes place between 1655 and 1700 (3-month outright), together with carries traded prior to 1655.
6. During the Closing Prices pricing period, the market was observed at its pre-set 5% lower daily price limit, which was consistent with conditions during the course of the day.
7. Having previously held discussions with the broader industry, the LME had announced (in Notice 22/064 in particular paragraph 25) that it would not publish Closing Prices if the market had reached its daily price limit during the period within which the relevant price is being determined on a given Business Day. This is because users preferred not to have Closing Prices which they had been unable to trade (which would be the case if the price were at the daily price limit).



8. The daily price limits have been constructed in order to help the Nickel price to find its natural level over the coming days in an orderly fashion. The LME will commence publishing Nickel Closing Prices as soon as these are discovered without a daily price limit being engaged during the relevant pricing period.
9. Having regard to today's pricing activity, and to further assist the market to discover the true market price, the LME is assessing whether it can widen its Nickel daily price limit for tomorrow (17 March 2022). This will allow a resumption of prices in a smaller number of days, while ensuring that trading continues to remain orderly. A further announcement on this topic will be made later today (16 March 2022).
10. As previously notified to the market, values will still be published on the LME's market data feed. However, these should not be regarded as Nickel Closing Prices pursuant to Notice 22/064.
11. Today's values (i.e. the 5% daily price limit down) will, however, continue to be used (i) for margining at LME Clear, and (ii) as the starting point for the Nickel daily price limits for trading tomorrow (17 March 2022).

Carry Pricing

12. As already discussed with the market, a natural consequence of the setting of the daily price limits is a constraint on the LME's ability to value carries where the outright legs have reached their limits. So, for example, if both the Cash and 3-month Nickel prices are subject to the 5% daily down price limit, this constrains the valuation of the Cash to 3-month Nickel carry – even if this carry has been trading at wider levels during the course of the day. This is an inevitable consequence of the LME's date structure.
13. For the avoidance of doubt, carry trades executed today remain valid, even if they fall outside the carry limits implied by the Closing Prices.

Technical Details

14. To implement the above, this Notice declares that the Nickel Closing Prices are subject to a Disruption Event on 16 March 2022, due to the market having reached its 5% daily down price limit.
15. Further details on Disruption Events can be found in Notice 22/064, in particular paragraphs 23 to 30.
16. If you have any questions in relation to this Notice, please contact tradingoperations@lme.com.

James Macdonald
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cc: **Board directors**
Special Committee
Nickel Committee
User Committee