

INCENTIVE PROGRAMME SPECIFICATIONS

Ferrous Liquidity Provider HC004 ("Ferrous LP HC004") 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 Global Client Development team at GCD@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.

Eligibility Criteria

3. To be eligible for the Ferrous LP HC004 programme, a Participant:
 - a) must be a Member, Client or Indirect Client; and
 - b) must, in the opinion of the LME, have the experience, technical and operational ability to meet the LP Obligations.
4. The Exchange may designate up to three (3) Participants ("**Designated Participants**") to also receive a monthly stipend in addition to the other incentives available in the Ferrous LP HC004 programme that are available to all Participants.

Eligible Contracts

5. The contracts eligible for the Ferrous LP HC004 programme are: LME Steel HRC FOB China (the "**Eligible Contracts**").
6. Any additional Eligible Contracts that may be added to the Ferrous LP HC004 programme will be communicated via Notice.

LP Obligations



7. From 01 June 2025 the obligations for Participants will be as follows (“**LP Obligations**”):

Contract	Outrights bid offer spread	Carries bid offer spread	Prompts and lots per side (must provide quotes in each prompt) - outright	Prompts and lots per side (must provide quotes in each prompt) - carries
LME Steel HRC FOB China (Argus)	\$ 10.00	\$ 5.00	M2: 10 lots per side M3: 10 lots per side	M1-M2: 1 lot per side M2-M3: 5 lots per side M2-M4: 5 lots per side M2-M5: 5 lots per side M2-M6: 1 lot per side M2-M7: 1 lot per side M2-M8: 1 lot per side M2-M9: 1 lot per side M2-M10: 1 lot per side M2-M11: 1 lot per side M2-M12: 1 lot per side
Quoting hours	1am-4pm London time			
Required presence	Minimum of 9 hours per trading day per contract			
Additional Liquidity Window requirement	Additional requirement on M2 of quoting 5 lots per side at a \$3.00 bid offer spread for a minimum of 20 minutes between 2:00pm-2:30pm London time			
Notes: Staggered quotes will be permitted, but the total required number of lots must be within the stated bid offer. Larger lot sizes can be quoted, but must be broadly symmetrical in size.				

Incentives for the Ferrous LP HC004 programme

Incentive eligibility

8. Participants will be eligible for receiving incentives for the Ferrous LP HC004 programme if both of the following conditions are met:
 - a) They have met at least 50.00% of the LP Obligations on an aggregate basis across the Eligible Contracts. In order to determine whether a Participant has met 50.00% of the LP Obligations on an aggregate basis, the LME will determine the percentage of the LP Obligations that the Participant has met in relation to each of the Eligible Contracts, then calculate the arithmetic average of these figures.
 - b) They have met at least 50.00% of the Additional Liquidity Window requirement on an aggregate basis across the Eligible Contracts calculated on the same basis as set out in paragraph 8.a. above.
9. When 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.



Fee Rebates

10. Participants that meet the conditions set out in paragraph 8 above will be eligible for up to 100% trading and clearing fee rebates of inter-office and LMEselect trades traded for the Participant's own account. The Fee Rebates will be calculated on an aggregate basis across the Eligible Contracts pro-rata on the same basis as set out in paragraph 8 above.

Liquidity Pool

11. Participants also have access to a total liquidity pool of up to US\$16,000 per month (the "**Liquidity Pool**"), subject to meeting the conditions set out below. The LME may vary the size of the Liquidity Pool at its discretion. Any changes will be communicated via Notice.
12. In order to be eligible for a share of the Liquidity Pool, Participants must meet:
 - a) at least 50.00% of the LP Obligations (calculated on the same basis as set out in paragraphs 8.a. and 8.b. above); and
 - b) the volume threshold (the "**Liquidity Pool Threshold**") of total Ferrous LP volume where LP volume shall comprise passive quotes (i.e. resting bids and offers in the electronic central order book, LMEselect) traded for the Participant's own account, and which have been aggressed by other market participants that are not (at the point of execution) Ferrous LP Participants on all available instruments excluding M1 ("**Total Qualifying LP Volume**").
13. The Liquidity Pool Threshold is 10.00% of Total Qualifying LP Volume. If the number of Participants meeting the requirements set out in paragraph 8 above exceeds five (5), the Liquidity Pool Threshold will increase to 18.00% of Total Qualifying LP Volume.
14. Liquidity Pool payments for eligible Participants will be calculated as follows:
 - a) the Total Qualifying LP Volume that is attributable to the relevant Participant
divided by:
 - b) the aggregate Total Qualifying LP Volume figure of each Participant that has met the Liquidity Pool Threshold and at least 50.00% of the LP Obligations
multiplied by:
 - c) the monthly Liquidity Pool amount set out in paragraph 11 above
further multiplied by:
 - d) the percentage of LP Obligations as set out in paragraph 8.a. above that the Participant has achieved.
15. All individual Liquidity Pool payments shall be capped at a maximum of 50.00% of the total Liquidity Pool. When an individual participant's Liquidity Pool payment reaches the cap of 50.00%, half of the excess amount over the cap will be re-allocated to the other participants according to their own Qualifying LP Volumes.

Monthly Stipend



16. Up to three Designated Participants will also have access to a monthly stipend of up to US\$4,000.
17. In order to be eligible for the monthly stipend, Designated Participants must meet the requirements set out in paragraph 8 above.
18. The monthly payable stipend for each Designated Participant, will be calculated pro-rata on the same basis as set out in paragraph 8.a. above.

Duration and application period of the Ferrous LP HC004 programme

19. The Ferrous LP HC004 programme will commence on 01 June 2025 and terminate on 31 May 2026.
20. Interested parties are invited to submit their applications to the LME Market Development department at ferrous@lme.com according to the following deadlines:

Deadline for submission of completed applications	Start date of participation in the programme
Fifteenth day of the month	First day of the following month
15 April 2026	01 May 2026

21. Interested parties must also submit, as part of their application, additional information related to:
 - a) the party's proposed arrangements, which may include the number and experience of its traders, utilization of software, and IT support available;
 - b) the party's knowledge of the ferrous industry and of the Eligible Contracts;
 - c) the party's previous activity in the Eligible Contracts;
 - d) the party's participation in other LME incentive programmes; and
 - e) 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.
22. The Exchange will base its selection of the initial group of Designated Participants on the evidence provided by applicants, in accordance with paragraph 21 above, and on the history of previous trading activity, electronic quoting and performance in previous LME incentive programmes for the Eligible Contracts. For the purposes of clarity, the information on costs requested in paragraph 21.e. will not be considered in the selection process.
23. Current participants in the Ferrous LP HC003 programme will automatically be enrolled in the Ferrous LP HC004 programme and will maintain their Designated Participant status.



Removal of participants and changes to Designated Participants

24. The Exchange reserves the right to remove participants from the Ferrous LP HC004 programme at its own discretion.
25. Participants will be removed from the Ferrous LP HC004 programme where they fail to meet the requirements set out in paragraph 8 for two consecutive months.
26. Participants that for three consecutive months meet at least 90.00% of the LP Obligations and have one of the three largest shares of Total Qualifying LP Volume will become Designated Participants and will be eligible for the monthly stipend from the following calendar month.
27. If the situation in paragraph 26 above were to happen, the Designated Participant that had the lowest share of Total Qualifying LP Volume in the previous month will become a normal Participant and cease to be eligible for the monthly stipend from the following calendar month.

Payment process

28. The trade identifiers for the monitoring of performance under the Ferrous LP HC004 programme will be the specific registered combination of:
 - End Client PTRM code (Broker Client ID)
 - Fix Key
 - Fix Tag 109
29. The Exchange 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 LP activities for the purposes of this programme.
30. Rebates and Liquidity Pool payments (where applicable) will be credited to Members two months in arrears for the Ferrous LP HC004 programme. For example, Ferrous LP activities conducted in January will be calculated in February and credited in March.