

LME Market Structure Evolution

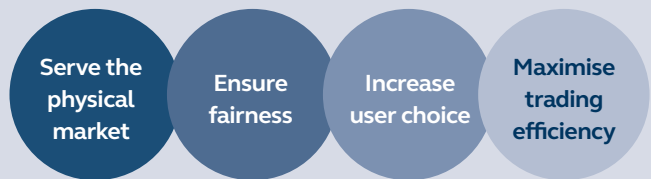


SETTING THE GLOBAL STANDARD

The outcomes of our Discussion Paper on Market Structure are designed to enhance the LME’s electronic offering and provide greater transparency, while also preserving optionality for the Exchange’s diverse global customer base. This structural evolution will enable the LME to modernise its service provision, adapt to new market dynamics and continue its growth trajectory, for the benefit of the market as a whole.

This structural evolution reflects the LME’s vision and strategic principles...

The LME’s vision is to be the trusted market of choice for the global metals industry



...and forms one area of focus in the LME’s overall development path.

Market structure evolution

Core technology refresh

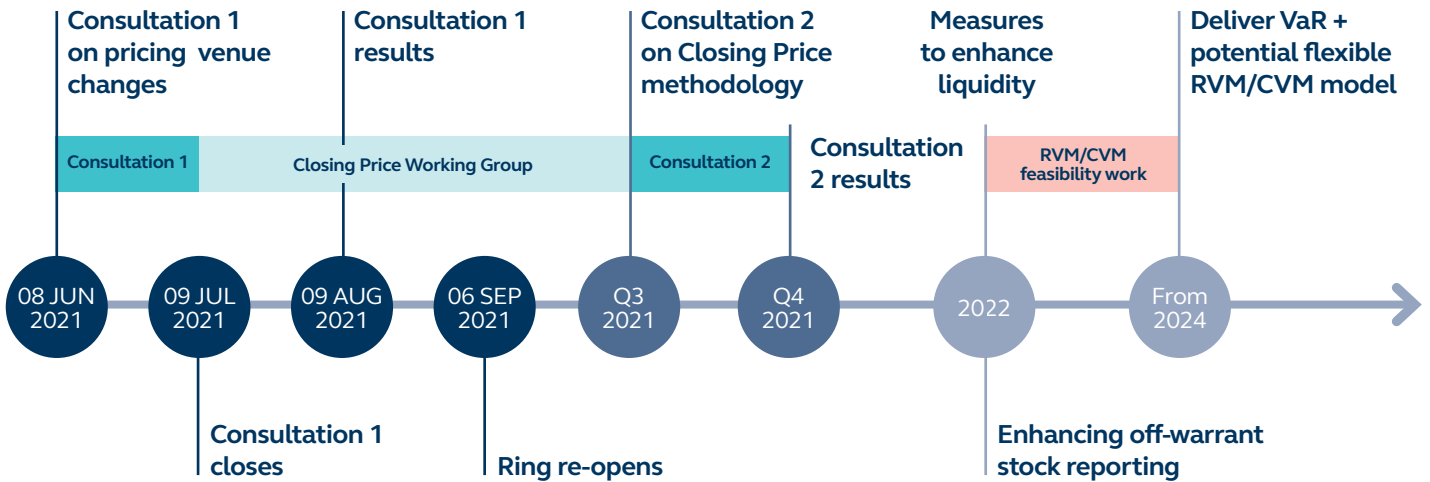
Digital innovation

Sustainability

Conduct & transparency

Discussion Paper topic	Summary of outcomes
The Ring and reference prices	<ul style="list-style-type: none"> Closing Prices permanently electronic¹ and pricing methodology to be evolved Closing Price Working Group to enhance methodology Ring re-opens for trading and Official Prices²
Enhancing liquidity	<ul style="list-style-type: none"> From 2022, focus on enhancing electronic liquidity in certain liquid instruments only Increase practical transparency of inter-office market
Realised variation margin	<ul style="list-style-type: none"> No immediate changes to margin methodology Explore flexible approach to provide CVM benefits and RVM efficiency for the market Prioritise delivery of VaR initial margin methodology
Market conduct considerations	<ul style="list-style-type: none"> Developments to off-warrant stock reporting to further improve transparency Investigate limited OTC trade reporting

Indicative implementation timeline



1. The LME has decided to determine the Closing Prices electronically on a permanent basis. The LME will now consult on changes to the LME Rules to give effect to this decision.

2. The LME believes that Official Prices generated with the electronic methodology would have the same benefits as electronically determined Closing Prices. However, having listened carefully to the feedback received in response to the Discussion Paper, the LME will now consult on its alternative proposal to keep Official Prices determined in the Ring in circumstances where Closing Prices are determined electronically going forward. The LME will also consult on the introduction of a mechanism whereby, if objective criteria related to the level of support of Category 1 Members for the Ring-based price determination process are triggered, the LME would be empowered to decide, without further consultation, whether to move Official Prices to electronic determination in the future in order to ensure that the Official Prices determination process remains capable of producing a reliable, representative reference price.

lme.com/marketstructure



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The purpose of this document is to provide an overview of the outcomes that are set out more fully in the LME Response to the Discussion Paper on Market Structure. This document is for information purposes only and is not intended to be a substitute for reading the Response Paper. Market participants are advised to refer to the Response Paper for further details. In the event of any perceived conflict between this document and the Response Paper, the Response Paper shall prevail.

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