LME
An HKEX Company

Daily Price Limit Multiple Day Framework

Contents

1 Overview 3
1.1 Introduction 3
1.2 Scope 3
1.3 Defined Terms 3
2 DPL Multiple Day Framework 3
2.1 Overview 3
2.2 Day 1 “Qualifying Event” 4
2.3 Day 2 “Qualifying Event” 4
2.4 Suspension Event (Day 3 “Qualifying Event”) 4
2.5 Cash Settled Futures (Linked Products) 4
3 Halting the market 5
3.1 During the Suspension Event 5
4 Re-opening the market 5
4.1 Resetting the DPL Multiple Day Framework 6
5 Document Change History 6
Appendix 1 7
Appendix 2 7

1 Overview

1.1 Introduction

This document outlines the actions the LME will take in relation to contracts impacted by DPLs[1] on multiple days in the same direction (the **"DPL Multiple Day Framework**").

This framework was introduced by the LME following LME Consultation Notice 23/235[2] and Decision Notice 24/134[3], in respect to halting the LME market for an individual metal based on consecutive daily price moves.

The intention of the DPL Multiple Day Framework is to provide clarity to market participants on the actions the LME will take where a particular Contract is impacted by DPLs multiple days in a row in the same direction.

It also sets out the factors the LME may take into account when considering whether to halt trading in an affected Contract, including trading activity, liquidity, price movements and volatility in equivalent or related products traded on linked exchanges, and the interaction between those products and the relevant Contract.

The LME reserves the right to make changes to this framework, which shall be communicated via Notice to the market.

This DPL Multiple Day Framework should be read in conjunction with the Disruption Event Framework[4] (as amended from time to time).

1.2 Scope

The DPL Multiple Day Framework applies to all Contracts that are subject to DPLs.

1.3 Defined Terms

Defined terms in this DPL Multiple Day Framework shall have the meaning set out in LME Notice 23/235 and the Rulebook, unless stated otherwise.

2 DPL Multiple Day Framework

2.1 Overview

For those Contracts in scope of this DPL Multiple Day Framework, the LME will automatically suspend the market for a particular metal at the end of Day 3 if it is impacted by its respective DPL (up or down) for three consecutive Business Days in the same direction.

The LME may also consider suspending the market for Cash Settled Futures Linked Products earlier if deemed necessary and at the sole discretion of the LME. This document explains the LME's approach in such circumstances.

[1] As defined in LME Notice 24/134 of 2 April 2024

[2] CONSULTATION 23 235 Consultation on Proposals in Respect of Daily Price Limits Proposed Amendments

[3] CONSULTATION 24 134 Decision Notice regarding Daily Price Limits and Proposed Amendments to the LME

[4] As described in LME Notice 2/064 and subsequently updated and consolidated by LME Notice 22/092, in the form available at https://www.lme.com/market-data/disruption-events

2.2 Day 1 "Qualifying Event"

A Day 1 "Qualifying Event" shall occur in respect of an individual Contract where its price:

- has reached the respective metal's DPL, for that Business Day, compared to the previous night's valuation within its Closing Price window, and the LME has determined that a Disruption Event has occurred, other than where such Disruption Event solely arises due to the suspension of trading in the Metal; or
- has reached a level that is sufficiently close to the DPL to give rise to a reasonable suspicion by the LME that there may be trading activity or underlying factors affecting trading activity that creates the risk of the creation of a disorderly market (if it were to continue for multiple days).

The LME shall publish, in either scenario, a Notice to inform the market that a Day 1 "Qualifying Event" or a Day 1 "Qualifying and Disruption Event" under the DPL Multiple Day Framework has occurred.

2.3 Day 2 "Qualifying Event"

A Day 2 "Qualifying Event" shall occur in respect of an individual Contract where its price:

- has reached the respective metal's DPL, compared to the previous night's valuation within its Closing Price window, in the **same** direction, for a second (2) consecutive Business Day, and the LME has determined that a Disruption Event has occurred, other than where such Disruption Event solely arises due to the suspension of trading in the Metal,
- has reached a level that is sufficiently close to the DPL in the same direction, for a second (2) consecutive Business Day, to give rise to a reasonable suspicion by the LME that there may be trading activity or underlying factors affecting trading activity that creates the risk of the creation of a disorderly market (if it were to continue for multiple days),

The LME shall publish, in either scenario, a Notice to inform the market that a Day 2 "Qualifying Event" or a Day 2 "Qualifying and Disruption Event" under the DPL Multiple Day Framework has occurred.

2.4 Suspension Event (Day 3 "Qualifying Event")

If an individual contract has:

- reached the respective metal's Daily Price Limit, compared to the previous night's valuation within its Closing Price window, in the **same** direction, for a third (3) consecutive Business Day, and the LME has determined that a Disruption Event has occurred, other than where such Disruption Event solely arises due to the suspension of trading in the Metal,
- reached a level that is sufficiently close to the DPL in the same direction, for a third (3) consecutive Business Day, to give rise to a reasonable suspicion by the LME that there may be trading activity or underlying factors affecting trading activity that creates the risk of the creation of a disorderly market (if it were to continue for multiple days).

As per Notice 23/235, if the LME deems the above to qualify as a "**Suspension Event**" as a result of a Day 3 "Qualifying Event" under the DPL Multiple Day Framework, the LME shall publish a Suspension Event Notice to that effect, specifying the metal and market to which the Suspension Event relates.

2.5 Cash Settled Futures (Linked Products)

The DPL Multiple Day Framework set out above also applies to linked products within the Cash Settled Futures. The LME may, where it deems necessary and at its sole discretion, consider declaring a Qualifying Event or a Suspension Event at an earlier stage, having regard to such factors as it considers relevant, including, but not limited to:

- trading activity, liquidity, price movements and volatility in equivalent or related linked products traded on other linked exchanges;
- the extent to which price movements in linked or related products may be influencing, or being influenced by, activity in the affected LME-linked contract;
- underlying physical market developments and other relevant market information; and
- any other factors that the LME considers relevant to the maintenance of an orderly market.

3 Halting the market

If the LME has communicated to the market via Notice on Day 3 that a Suspension Event has occurred, on Day 4 from 00:00 hours (London time), the market for the relevant metal shall be suspended such that no trading of any Contracts in such metal shall occur on any Execution Venue, until such time as the LME issues a Notice to the effect that the suspension has been lifted and specifying the time from which trading may resume. For the avoidance of doubt, the market for the relevant metal(s) for which the Suspension Event occurs will not re-open at 01:00 on Day 4.

If a Suspension Event occurs, it will apply to all futures and options on all venues for the relevant metal that triggered the Suspension Event. The LME will suspend all instruments in the affected metal, and it will not seek to suspend trading in specific instruments only.

3.1 During the Suspension Event

It is the LME's intention during the period of suspension:

- to permit the input into the Matching System and execution of Agreed Trades that had been agreed prior to the occurrence of the Suspension Event and/or any administrative actions that a Member may need to take in respect of existing contracts;
- to allow OTC Bring Ons to be entered in accordance with the Matching Rules[5] during the period of any suspension. However, Members should not use OTC trades to intentionally circumvent the DPL levels on any given day. The LME reserves the right to take any necessary action where it considers that OTC Bring-Ons are intended to circumvent the DPLs on any given day and/or introduce additional restrictions on OTC Bring-Ons if it considers it would be beneficial to protect market orderliness. Only OTC Bring-Ons from the previous Business Day be registered as "Current Price", while all other OTC Bring-Ons must be registered as "Historic": "the trade date of the original over-the-counter transaction must be prior to the trade date of the OTC Bring-On"[6]; and
- to utilise Trading Regulation 24.6 to defer any delivery obligations for the next Business Day and any subsequent Business Days in relation to which delivery is not practicable. All open delivery positions will be rolled at level Carry using a Basis price of the previous day's Cash Official Price.

While the above sets out the LME's intended approach during the period of suspension, the LME will consider all relevant factors prevailing in the circumstances and will confirm the specific rules and processes that will apply during any Suspension Event in the Suspension Event Notice. For the avoidance of doubt, where there is any conflict, the Suspension Event Notice shall take precedence over this DPL Multiple Day Framework.

4 Re-opening the market

The LME intends that in the event a Suspension Event occurs it will generally seek to convene the User Committee, or other such committee as the LME may deem appropriate, to discuss the underlying drivers that

[5] In particular, it should be noted that only OTC Bring-Ons from the previous Business Day can be registered as "Current Price", while all other OTC Bring-Ons must be registered as "Historic": "the trade date of the original over-the-counter transaction mut be prior to the trade date of the OTC Bring-On"

[6] See LME Notice 22/067

led to the Suspension Event. The purpose of this ad-hoc meeting will be to discuss and assess the risks of market distortions that could lead to significant continued price moves, and the potential for disorder on the LME. Any decision in relation to re-opening the market shall be taken by LME in its sole discretion, in consultation with the LME Board, LME Clear and relevant regulators as appropriate. Where a User Committee meeting is called, the LME will generally seek to convene the meeting by 07:00[7] on the Business Day following the Suspension Event.

The LME shall determine whether and when to re-open the market, and market participants shall be notified via Notice once a decision has been made. The LME will endeavor to provide as much advance notice of its decision to reopen as is practicable in the circumstances.

The LME will seek to re-open the market for the relevant contract as soon as is practicable. The LME expects that in most circumstances it will be appropriate to reopen the market as normal on Business Day 5 (following a Day 3 Qualifying Event resulting in a Suspension Event), but the market could be opened sooner, or opening could be further delayed. The soonest the relevant market can re-open after a Suspension Event will be 09:00 on the next Business Day. However, the LME reserves the right to re-open the market at a later time during London hours on the next Business Day, or on any subsequent day, if the LME determines that it is appropriate to do so in the circumstances.

4.1 Resetting the DPL Multiple Day Framework

Once the market is re-opened, the DPL Multiple Day Framework resets such that if on the day the market re-opens the DPL for that metal market is reached, even if in the same direction as previously, this would be considered a Day 1 Qualifying Event and the market could have a further two days of limit/up down before another halt.

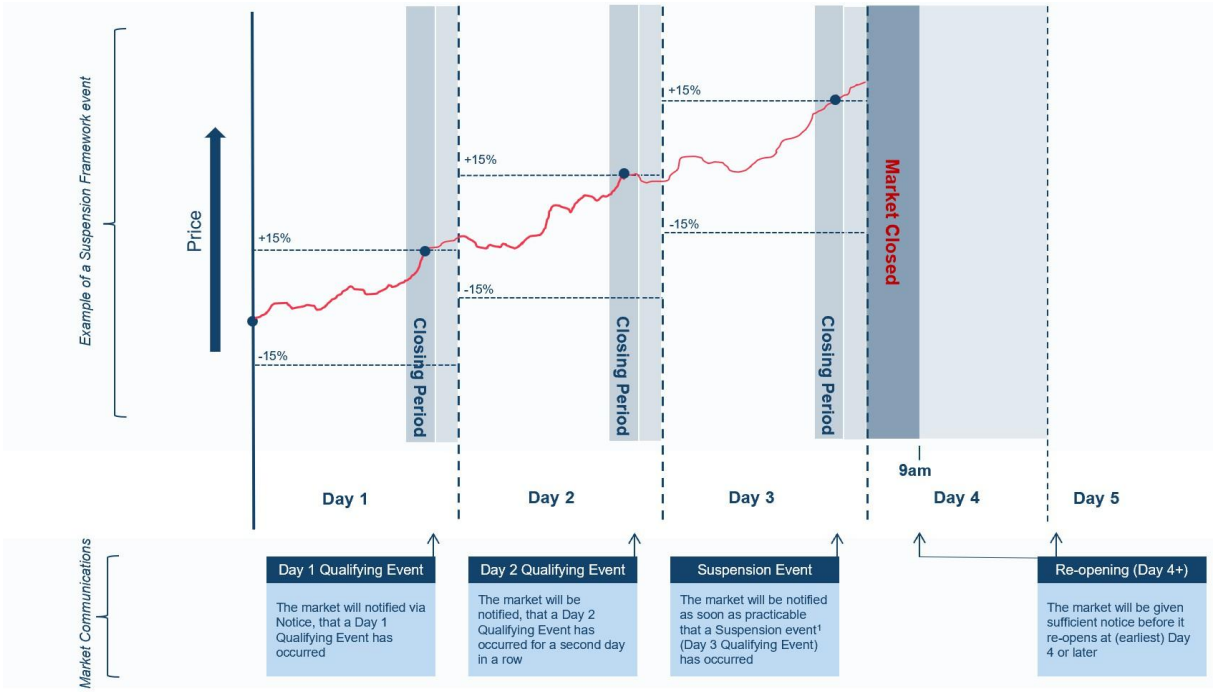
5 Document Change History

Version	Date
1.0	02/04/2024
1.1	05/06/2024
1.2	27/10/2026
1.3	27/10/2026

[7] All times within this document are estimates; where a meeting is convened it may be held sooner or at later times based on availability

Appendix 1

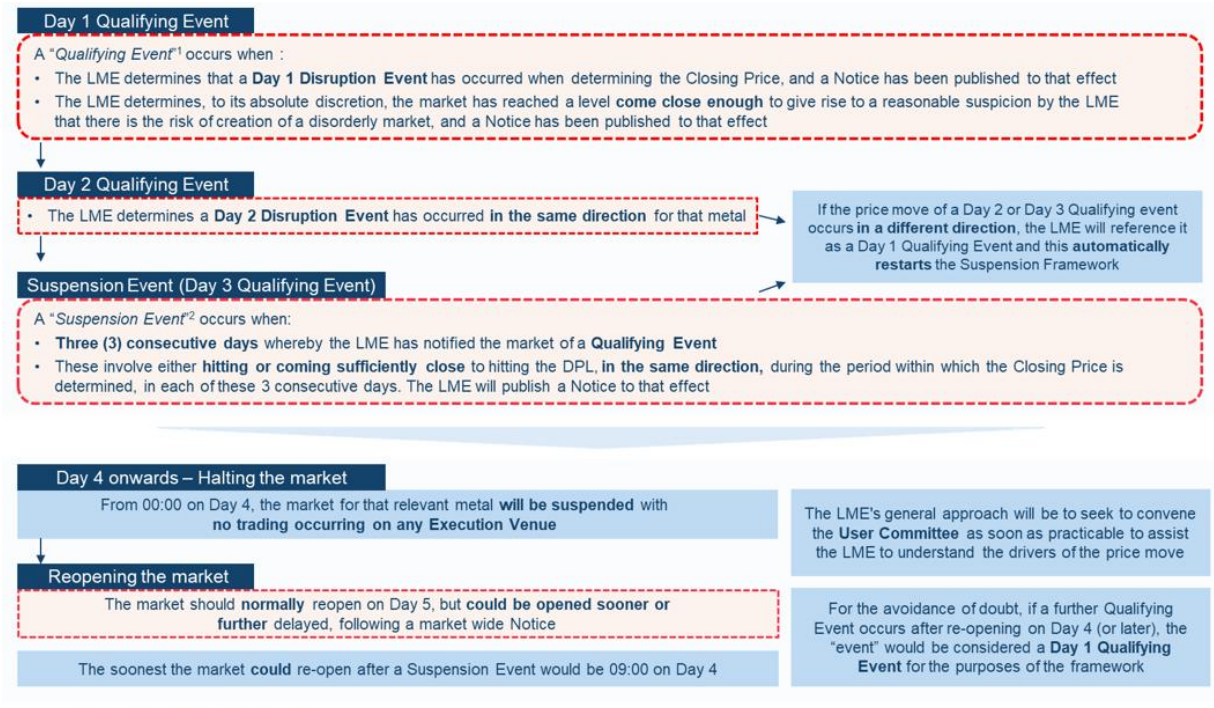
The figure below is an illustration of a potential DPL Multiple Day Framework, following a price move upwards for three consecutive Business Days. The market is then suspended on Day 4 onwards. This is purely an illustrative example for the purposes of the framework and is notwithstanding that the LME may declare a Suspension Event earlier in relation to Cash Settled Futures (Linked Products).



1. Following Notice 23/235, the Suspension Event means the market for the relevant metal is suspended from midnight, until further details are communicated to the market.

Appendix 2

This diagram summarises the DPL Multiple Day Framework and is notwithstanding that the LME may declare suspension earlier in relation to Cash Settled Futures (Linked Products).



1. See more details in LME Notice 22/092.
2. See more details in LME Notice 23/235.