

To: All members and other interested parties

Ref: 22/067

Classification: Trading

Date: 15 March 2022

Subject: **NICKEL MARKET UPDATE: FURTHER INFORMATION REGARDING THE APPLICATION OF DAILY PRICE LIMITS AND FORWARD CURVE VALUES FOR 7 MARCH 2022 FOR BASE METAL OUTRIGHT CONTRACTS, CLARIFIES THE EFFECT OF PRICING DISRUPTION EVENTS ON OFFICIAL AND CLOSING PRICES, AND RECONFIRMS THE APPLICATION OF A BACKWARDATION LIMIT**

Summary

1. In Notice 22/064, the LME confirmed its intention to apply daily upper and lower price limits in either direction (“**daily price limits**”) for outright Contracts in all base metals on all Execution Venues. Notice 22/064 provided firm daily price limits in relation to outrights for all base metals except Nickel, and provided indicative daily price limits in relation to Nickel. This Notice sets out firm daily price limits for Nickel outrights and reconfirms the daily price limits that shall be applied to all other base metal outrights, and sets out the dates from which these daily price limits shall apply.

Defined Terms

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

Daily Price Limits – Applicable Limits

3. The LME shall implement daily price limits for base metal Contracts as follows:

Metal / Contract	Limit up	Limit down	Applicable Execution Venues	Effective date
Nickel outrights	Previous Business Day's Closing Price for the relevant Contract, <u>plus</u> 5% of the previous Business Day's Closing Price for the 3-month Contract	Previous Business Day's Closing Price for the relevant Contract, <u>minus</u> 5% of the previous Business Day's Closing Price for the 3-month Contract	LMEselect, Ring and inter-office	Start of trading on 16 March 2022
All other base metal outrights	Previous Business Day's Closing Price for the relevant Contract, <u>plus</u> 15% of the previous Business Day's Closing Price for the 3-month Contract	Previous Business Day's Closing Price for the relevant Contract, <u>minus</u> 15% of the previous Business Day's Closing Price for the 3-month Contract	LMEselect, Ring and inter-office	Start of trading on 15 March 2022



4. For the avoidance of doubt, hitting any price limit will not automatically result in the suspension of trading. As such it is possible for the market to trade to a limit, then away from that limit as a result of changing market conditions. As a result of this, it is possible that daily price limits (both on the up- and down- side) are hit multiple times within a Business Day. However, this will not result in any intra-day changes to these daily price limits.
5. The LME is committed to monitoring its markets with a view to maintaining a fair and orderly market and may issue further guidance on daily price limits in due course and may adjust the daily price limits further, at its discretion. In relation to Nickel, and in the light of the impending resumption of trading, the LME intends to review the appropriateness of the Nickel daily price limits at the end of trading on 16 March and may, subject to prevalent market conditions, adjust these limits. Subject to ongoing monitoring, the LME's expectation is that Nickel price limits will reach the 15% level employed for other base metals, as the market situation normalises.
6. The Annex to this Notice sets out USD values for the Closing Prices as at 7 March, and shall be used as the starting position for Nickel trading on resumption of trading on 16 March (the "**Resumption Date**"). This Annex has been included in order to support the orderly resumption of trading on the Resumption Date. Thereafter, Members shall be responsible for ensuring that they are aware of the applicable daily price limits on each Business Day, basis the details in paragraph 3 above.

Daily Price Limits – Application to the Ring and Inter-Office Market

7. Trades on Execution Venues other than LMEselect will be prohibited through manual controls rather than through systematic means, from being Executed outside the daily price limit. It is therefore Members' responsibility to ensure that outright trades are entered into LMEsmart (in respect of both Ring and inter-office business) in accordance with paragraph 8.
8. In relation to the Ring and the inter-office market, where an outright trade is entered into LMEsmart outside of the applicable limit-up and limit-down range in either direction, such action shall be treated as an error trade and therefore invalidated under Regulation 13.1 of Part 3 of the LME Rulebook. The LME shall then invalidate such error trade and remove the erroneous trade in accordance with the *Policy on Order Cancellation and Controls*. Members should note that where outright trades are entered into LMEsmart outside of the applicable limit-up and limit-down range on an ongoing basis without regard to this Notice, this may be treated as a breach of the LME Rulebook.
9. For the avoidance of doubt, inter-office trade bookings to effect the result of option exercises shall not be subject to the daily price limits.

Daily Price Limits – Application to OTC Bring-Ons and OTC Take-Offs

10. OTC Bring-Ons and OTC Take-Offs may be registered in relation to Nickel with effect from 08:00 London time on the Resumption Date. OTC Bring-Ons and OTC Take-Offs must be registered in accordance with the LME Matching Rules. Current price OTC trades will be prohibited, through manual controls, from being executed outside of the daily price limit. Where an OTC Bring-On is done at current prices¹, the daily price limits shall apply. Where an OTC Bring-On is done at the original trade price for the OTC transaction, these trades must be registered with price type "historic". The LME does not intend to apply the daily price limit to OTC trades at the original OTC transaction price. However, the LME reserves the right at its absolute discretion to reject an OTC Bring-On trade where the LME considers that it may, alone or in the context of other market activity, create disorderly market conditions, including pricing conditions, or is otherwise intended to circumvent the LME's daily price limits.

¹ For clarity, and as set out in the Matching Rules, only an OTC Bring-On from the previous Business Day can be registered as "Current Price". 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".



Daily Price Limits – Application to LMEselect

11. Concerning trading on LMEselect, in the event that a bid is entered above the higher daily price limit or offer is entered below the lower daily price limit, trading will continue but such order submission will be rejected. However, carry trading will still be enabled (provided that the carries trade within their respective daily price limits), allowing (for example) date adjustments and tom-next rolls to be booked. Members should be aware that where they conduct a 3-month outright trade with a Client and they wish to adjust such trade, this trade will still need to be registered within the daily price limits, irrespective of where any carry is traded.
12. Market participants are advised that on the Resumption Date, order submissions for any new Nickel carry combinations or outright prompts (not including the new 3-month date) not previously generated in LMEselect shall be rejected by LMEselect until market open (at 08:00).

Application of Daily Price Limits to Options Contracts

13. At this time the LME does not intend to apply any daily price limits to the trading of Options Contracts. However, the LME shall monitor activity to ensure that options transactions are not used in order to circumvent the daily price limits, for example trading a synthetic future (combination of put and call) at a price with the intention of breaching the LME's daily price limits, and Members are accordingly reminded of their relevant compliance obligations under the LME Rules.

Price Disruption Events

14. See Notice 22/064 for further information on the impact of these daily price limits on the Official and Closing Prices, as the establishment of these prices will be constrained by the daily price limits irrespective of whether carry trades would imply a settlement outside of the applicable daily price limit. For the avoidance of doubt, where an Official Price or a Closing Price is affected by a Disruption Event, the LME will nonetheless utilise these Official Prices and a Closing Prices for margining and for the settlement of physical Contracts, as applicable.

Notice 22/051 Backwardation Limit and Deferral Mechanism

15. Notice 22/051 published on 7 March 2022 sets out details of measures taken by the LME Special Committee, including the imposition of a limit on the backwardation of tom-next contracts, and introduction of a delivery deferral mechanism for certain contracts. Members are reminded that these measures remain in force.

General

16. To the extent that this Notice contradicts or conflicts with any other policy or Notice issued by the LME in respect of daily price limits, this Notice shall prevail until further notice.

Queries

17. Members should direct any general questions relating to this Notice to the [Trading](mailto:tradingoperations@lme.com) Operations at tradingoperations@lme.com.

James Cressy
COO

cc: Board directors
Special Committee
Nickel Committee
User Committee



Annex

Closing Price Forward Curve – USD Values as at the Resumption Date



Nickel Forward Curve

		3s		47986		
3s	Jul 22	47816	-170	-170	-7.39	
Jul	Aug 22	47621	-195	-365	-9.75	
Aug	Sep 22	47481	-140	-505	-6.09	
Sep	Oct 22	47311	-170	-675	-8.95	
Oct	Nov 22	47228	-83	-758	-4.37	
Nov	Dec 22	47128	-100	-858	-4.17	
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Dec	Jan 23	47028	-100	-958	-6.25	
Jan	Feb 23	46968	-60	-1018	-3	
Feb	Mar 23	46913	-55	-1073	-2.89	
Mar	Apr 23	46853	-60	-1133	-2.61	
Apr	May 23	46803	-50	-1183	-2.63	
May	Jun 23	46728	-75	-1258	-3.26	
Jun	Jul 23	46698	-30	-1288	-1.58	
Jul	Aug 23	46668	-30	-1318	-1.5	
Aug	Sep 23	46638	-30	-1348	-1.3	
Sep	Oct 23	46601	-37	-1385	-1.95	
Oct	Nov 23	46564	-37	-1422	-1.85	
-600	Nov	Dec 23	46528	-36	-1458	-1.5
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Dec	Jan 24	46488	-40	-1498	-2.5	
Jan	Feb 24	46448	-40	-1538	-1.67	
Feb	Mar 24	46413	-35	-1573	-1.75	
Mar	Apr 24	46384	-29	-1602	-1.61	
Apr	May 24	46355	-29	-1631	-1.53	
May	Jun 24	46326	-29	-1660	-1.21	
Jun	Jul 24	46298	-28	-1688	-1.47	
Jul	Aug 24	46270	-28	-1716	-1.12	
Aug	Sep 24	46242	-28	-1744	-1.56	
Sep	Oct 24	46214	-28	-1772	-1.47	
Oct	Nov 24	46186	-28	-1800	-1.17	
-370	Nov	Dec 24	46158	-28	-1828	-1.47
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Dec	Jan 25	46133	-25	-1853	-1.47	
Jan	Feb 25	46108	-25	-1878	-1.09	
Feb	Mar 25	46083	-25	-1903	-1.25	
Mar	Apr 25	46058	-25	-1928	-1.25	
Apr	May 25	46033	-25	-1953	-1.14	
May	Jun 25	46008	-25	-1978	-1.32	
Jun	Jul 25	45983	-25	-2003	-1.39	
Jul	Aug 25	45958	-25	-2028	-1	
Aug	Sep 25	45933	-25	-2053	-1.39	
Sep	Oct 25	45908	-25	-2078	-1.32	
Oct	Nov 25	45883	-25	-2103	-1.04	
-300	Nov	Dec 25	45858	-25	-2128	-1.32
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Dec	Jan 26	45837	-21	-2149	-1	
Jan	Feb 26	45816	-21	-2170	-1.11	
Feb	Mar 26	45795	-21	-2191	-1.05	
Mar	Apr 26	45774	-21	-2212	-1.17	
Apr	May 26	45753	-21	-2233	-0.88	
May	Jun 26	45732	-21	-2254	-1.11	
Jun	Jul 26	45711	-21	-2275	-1.11	
Jul	Aug 26	45690	-21	-2296	-0.84	
Aug	Sep 26	45669	-21	-2317	-1.17	
Sep	Oct 26	45648	-21	-2338	-0.88	
Oct	Nov 26	45628	-20	-2358	-1.05	
-250	Nov	Dec 26	45608	-20	-2378	-1.05
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Dec	Jan 27	45616	8	-2370	0.23	
Jan	Feb 27	45624	8	-2362	0.29	
Feb	Mar 27	45632	8	-2354	0.29	
Mar	Apr 27	45640	8	-2346	0.23	
Apr	May 27	45648	8	-2338	0.29	
48	May	Jun 27	45656	8	-2330	0.29

Cash - 3s	-210
Cash - Apr	-65
Cash - May	-103
Apr - May	-38
May - 3s	-107
Apr - 3s	-145
May - 3s	-107

Per Day		C		48196
17-3-22	22-3-22	-10	-3.33	48186
22-3-22	24-3-22	-5	-2.5	48181
24-3-22	4-4-22	-30	-4.29	48151
4-4-22	11-4-22	-5	-1	48146
11-4-22	20-4-22	-15	-3	48131

Dec - Dec Averages

22 - 23	-600	4Q 22	-763.67
22 - 24	-970	2H 22	N/A
22 - 25	-1270	Y 22	N/A
22 - 26	-1520		
23 - 24	-370	1Q 23	-1016.33
23 - 25	-670	2Q 23	-1191.33
23 - 26	-920	1H 23	-1103.83
24 - 25	-300	3Q 23	-1318
24 - 26	-550	4Q 23	-1421.67
25 - 26	-250	2H 23	-1369.83
		Y 23	-1236.83
		1Q 24	-1536.33
		2Q 24	-1631
		1H 24	-1583.67
		3Q 24	-1716
		4Q 24	-1800
		2H 24	-1758
		Y 24	-1670.83
		1Q 25	-1878
		2Q 25	-1953
		1H 25	-1915.5
		3Q 25	-2028
		4Q 25	-2103
		2H 25	-2065.5
		Y 25	-1990.5
		1Q 26	-2170
		2Q 26	-2233
		1H 26	-2201.5
		3Q 26	-2296
		4Q 26	-2358
		2H 26	-2327
		Y 26	-2264.25
		1Q 27	-2362
		2Q 27	-2338
		1H 27	-2350
		3Q 27	N/A
		4Q 27	N/A
		2H 27	N/A
		Y 27	N/A

20-4-22	18-5-22	-38		
20-4-22	21-4-22	-20	-20	48111
21-4-22	25-4-22	-5	-2.5	48106
25-4-22	16-5-22	-10	-0.71	48096
16-5-22	18-5-22	-3	-1.5	48093
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18-5-22	15-6-22	-107		
18-5-22	23-5-22	-15	-5	48078
23-5-22	7-6-22	0	0	48078
7-6-22	10-6-22	-45	-15	48033
10-6-22	14-6-22	-31	-15.5	48002
14-6-22	15-6-22	-16	-16	47986

Outright Price

Y 22	N/A
Y 23	46749.17
Y 24	46315.17
Y 25	45995.5
Y 26	45721.75
Y 27	N/A