

To: All members and other interested parties

Ref: 20/157

Classification: Trading General

Date: 23 June 2020

Subject: **PRA APPOINTMENT FOR NEW FERROUS CASH-SETTLED FUTURES CONTRACTS**

Summary

1. This Notice announces that the London Metal Exchange (LME) has selected the price-reporting agency (PRA) Argus Media Limited for the provision of final settlement prices for two new ferrous Cash-Settled Futures. These new contracts will be LME Steel HRC N. Europe (Argus) and LME Steel Scrap CFR Taiwan (Argus)¹.
2. The LME Steel HRC N. Europe (Argus) contract will settle to Argus's *Steel HRC ex-works Northwest Europe* price².
3. The LME Steel Scrap CFR Taiwan (Argus) contract will settle to Argus's *Ferrous scrap HMS 1/2 (80:20) containerised CFR Taiwan* price².

Defined Terms

4. Capitalised terms not otherwise defined in this notice shall have the meaning ascribed to them in the rules and regulations of the LME.

Background

5. Since 2015, the LME has launched four ferrous Cash-Settled Futures contracts:
 - LME Steel Rebar
 - LME Steel Scrap

¹The launch of these contracts is subject to regulatory approval.

²The methodologies are published under *Argus Ferrous Markets*, which can be found at <https://www.argusmedia.com/en/methodology/methodology-listing>.



- LME Steel HRC FOB China (Argus)
 - LME Steel HRC N. America (Platts)
6. These contracts have given participants in the global ferrous market a range of tools to trade and to hedge price risk. The two proposed ferrous Cash-Settled Futures contracts will be designed to meet the industry's demand for additional regionally focused risk-management tools.
 7. The LME Steel HRC N. Europe (Argus) contract is complementary to the LME ferrous suite, as it services an area of steel production and consumption which is of considerable interest to many LME members and clients. The addition of this contract will enable the LME to offer a global futures product suite for the finished steel market.
 8. The LME Steel Scrap CFR Taiwan (Argus) contract will continue to enhance the LME's offering for the steel raw materials markets. The LME Steel Scrap contract has established a futures market basis a Turkish price since launch in 2015. In offering a steel scrap contract which settles to a Taiwanese price, the LME will be better placed to serve the needs of the Asian market.
 9. Argus Media has been selected to provide settlement prices for these contracts following extensive market engagement with a wide range of participants in ferrous markets across both Europe and Asia. The LME is confident that Argus Media is the right partner to provide settlement prices for its two new contracts.
 10. The target launch date for the new contracts is Q4 2020, subject to regulatory approval and changes in line with the business continuity priorities of the LME and/or its market participants, given the backdrop of COVID-19.

Questions

11. Any questions or requests for further clarification should be directed to the LME Product Development team by email to: productdevelopment@lme.com.

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cc: Board directors
Steel Committee