

To: All Members, warehouse companies and their London agents and other interested parties

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Date: 24 April 2017

Subject: **LME DISCUSSION PAPER ON MARKET STRUCTURE**

## Summary

1. This Notice announces the publication of the attached Discussion Paper on Market Structure (the “Discussion Paper”), an analysis by the London Metal Exchange and LME Clear (collectively, the “LME”) of their strategic vision and key questions pertaining to the structure of their market on the following topics:
  - The LME ecosystem, its stakeholders and their needs;
  - Trading and booking structures, and the date system;
  - Clearing structures and services;
  - Delivery and physical market structure;
  - Membership; and
  - Volumes, fee structures and new products.

The LME invites comments and feedback on this Discussion Paper from all interested market participants.

## Background

2. For well over a century, the London Metal Exchange has stood at the centre of the global base metals trading ecosystem. Working together with its members and the industry which it serves, the LME facilitates pricing, risk management and investment activities which underpin the efficient functioning of the global metals markets.
3. The LME is already pursuing an exciting growth strategy for 2017, centred around the launch of the LMEprecious initiative, and is now developing its medium-term enhancement plans.
4. It is a natural consequence of the LME’s market leadership position that the global metals industry has a significant interest in the structure of the LME’s



market. Accordingly, the LME believes – as custodians of the global metals industry – that it is appropriate to establish the views of its market on the future development of its market structure.

5. The ultimate strategic aim of the LME is to work with its members to make trading more accessible and efficient, while fully respecting its physical roots. In this regard, the LME will always protect those features of its market structure which are core to its physical user base – but, where market structure can be enhanced within this framework, this should be considered to increase trading opportunities on the market.
6. The LME is aware that a broad spectrum of market opinion exists in respect of many of the core features of the LME market. In the final analysis, the LME will decide upon and then pursue its strategic direction – but it is appropriate that the market's views are fully considered.

### **Market engagement process**

7. The LME intends to undertake a wide-ranging market engagement programme on the basis of this Discussion Paper, running from 24 April 2017 to 30 June 2017. Following a period of analysis of the feedback, the LME intends to publish an outcomes document in which it will articulate its strategic direction, expected in the autumn.
8. Full details of the market engagement process, and the steps following the discussion period, are set out in the attached document.

**Matthew Chamberlain**  
**CEO LME**

cc: Board directors  
User Committee  
Physical Market Committee  
All metals committees  
Trading Committee  
Ring Dealers Committee  
Traded Options Committee  
Warehousing Committee