

LME update: priorities and progress
倫敦金屬交易所重點工作及推進情況報告



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LME Warehousing in Hong Kong

LME Warehousing in Hong Kong

Benefits

- Serve Chinese metal industry
- Boost LME pricing relevance
- Facilitate greater optionality for physical traders
- Grow financial arbitrage volume
- Further the economic growth of Hong Kong as part of the Greater Bay Area (GBA) development

Market feedback

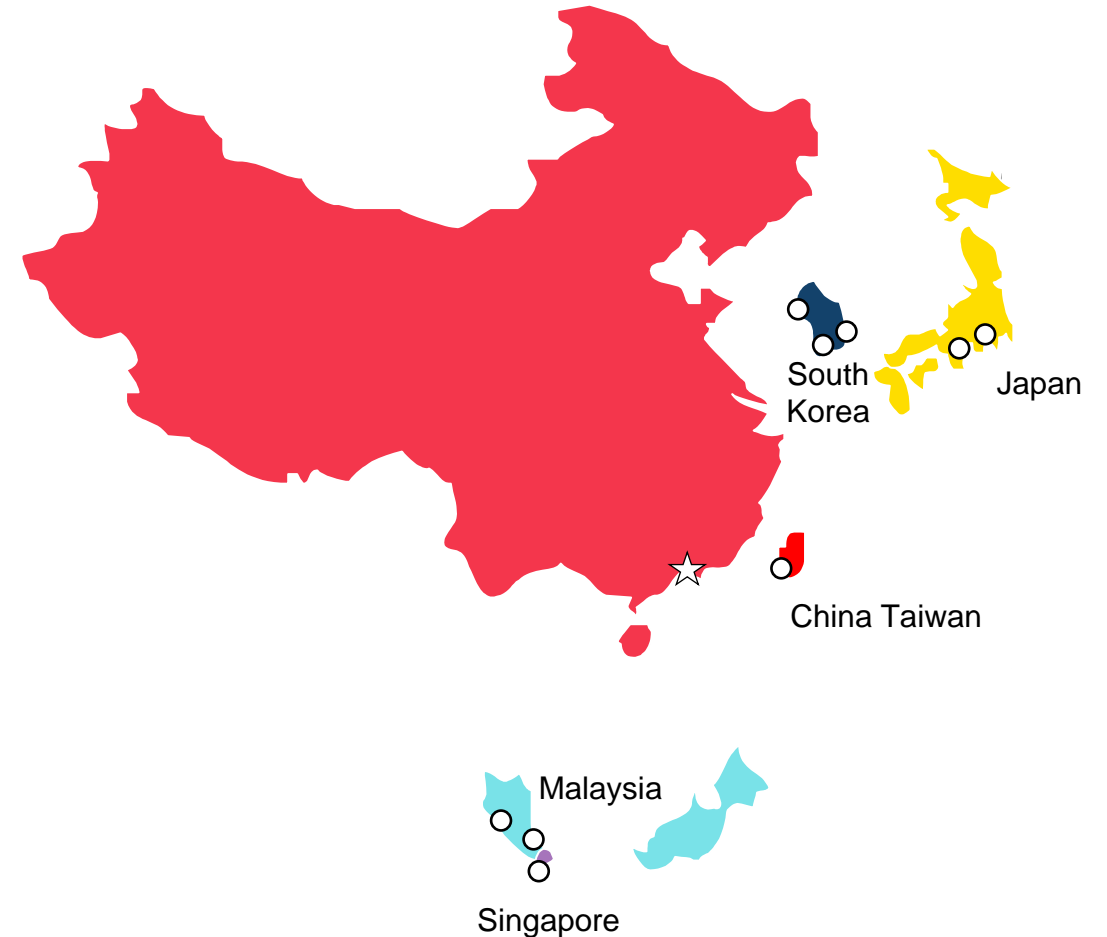
- Bilateral feedback from ~30 market participants
- Support and additional market engagement via Hong Kong Energy, Mining and Commodities Association (HKEMCA)



Next steps

- Full feasibility study is currently being undertaken by an independent third-party

LME Asia warehouse locations



Update on the nickel market

New LME Nickel brands

Annual production capacity



PT CNGR Ding Xing New Energy (DX-zwdx)

50,000 mt



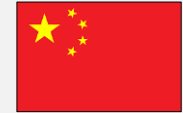
Guangxi Huayou New Material Co., Ltd. (HUAYOUgx)

30,000 mt



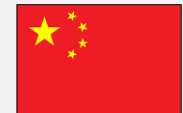
Jingmen Gem Co. Ltd. (GEM-NI2)

20,000 mt



Guangxi CNGR New Energy Science & Technology Co. Ltd. (CNGR)

15,000 mt



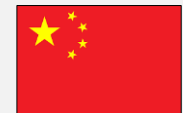
Jingmen Gem Co. Ltd. (GEM-NI1)

10,000 mt



Quzhou Huayou Cobalt New Material Co., Ltd (HUAYOU)

36,600 mt

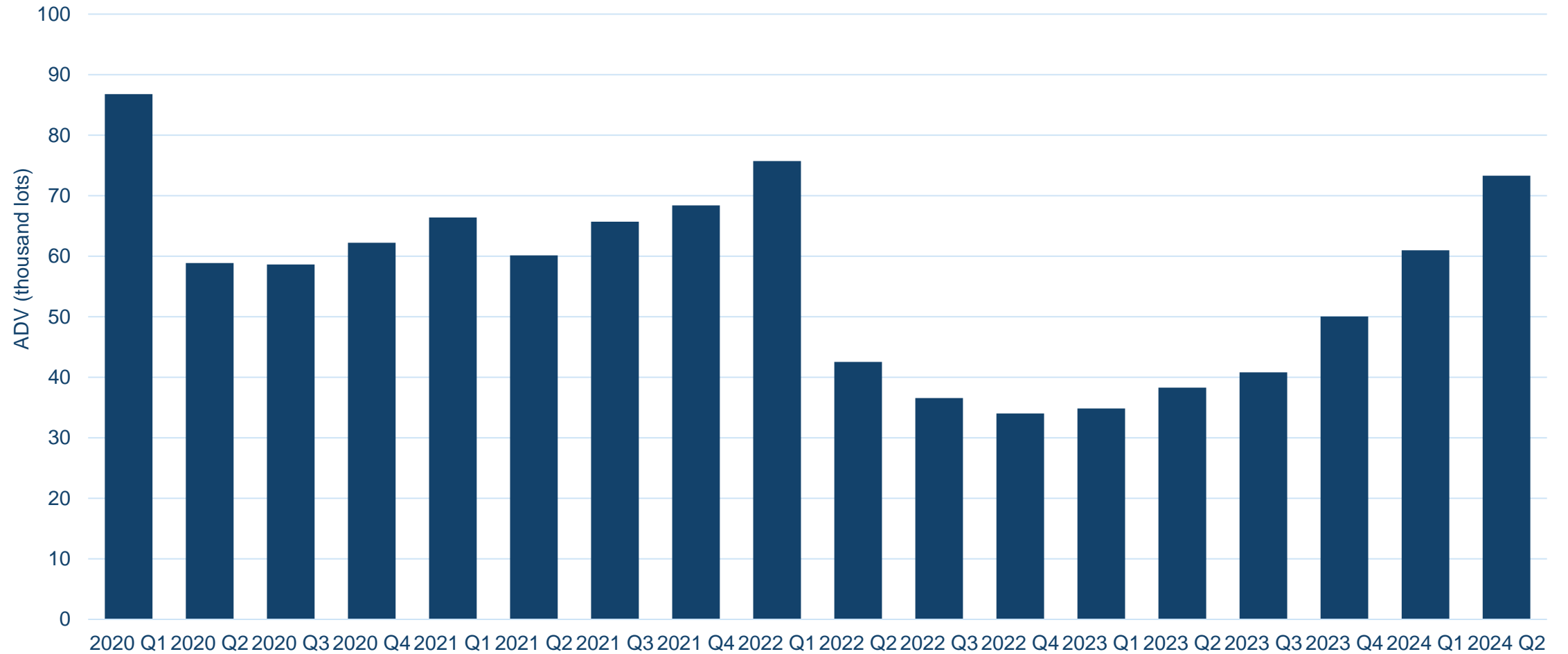


Total production capacity increased by ~170,000 mt per year



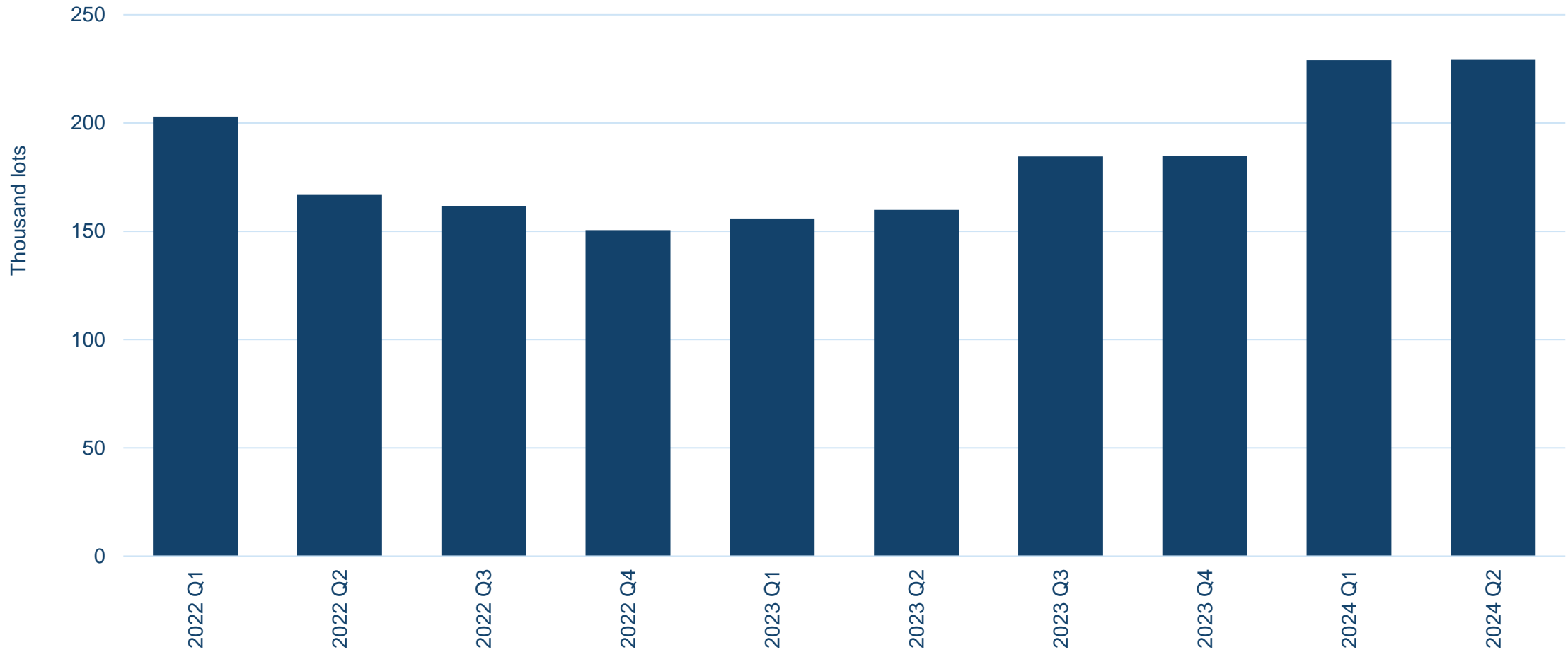
LME Nickel Volume

Average Daily Volume (ADV)



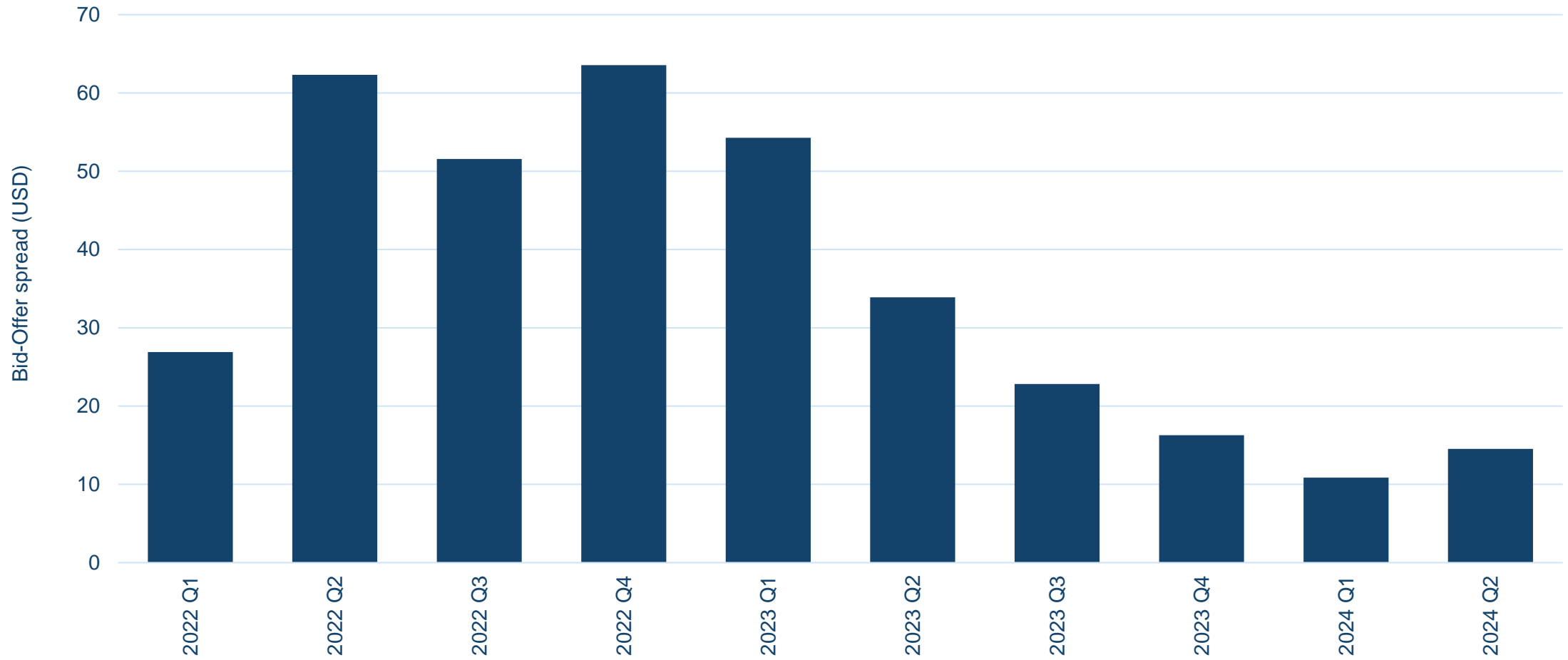
LME Nickel: Futures daily MOI

LME Nickel - futures daily MOI



LME Nickel liquidity

LME Nickel 3M bid-offer spread



Pricing Green Nickel

Green Nickel vs Low Carbon Nickel



1. The LME believes that the Nickel Institute's GHG Emissions Guidance (leveraging GHG Protocol and ISO 14044) is the appropriate initial method for assessing the proposed carbon threshold.



Metalshub + LME: Low carbon nickel platform transactions



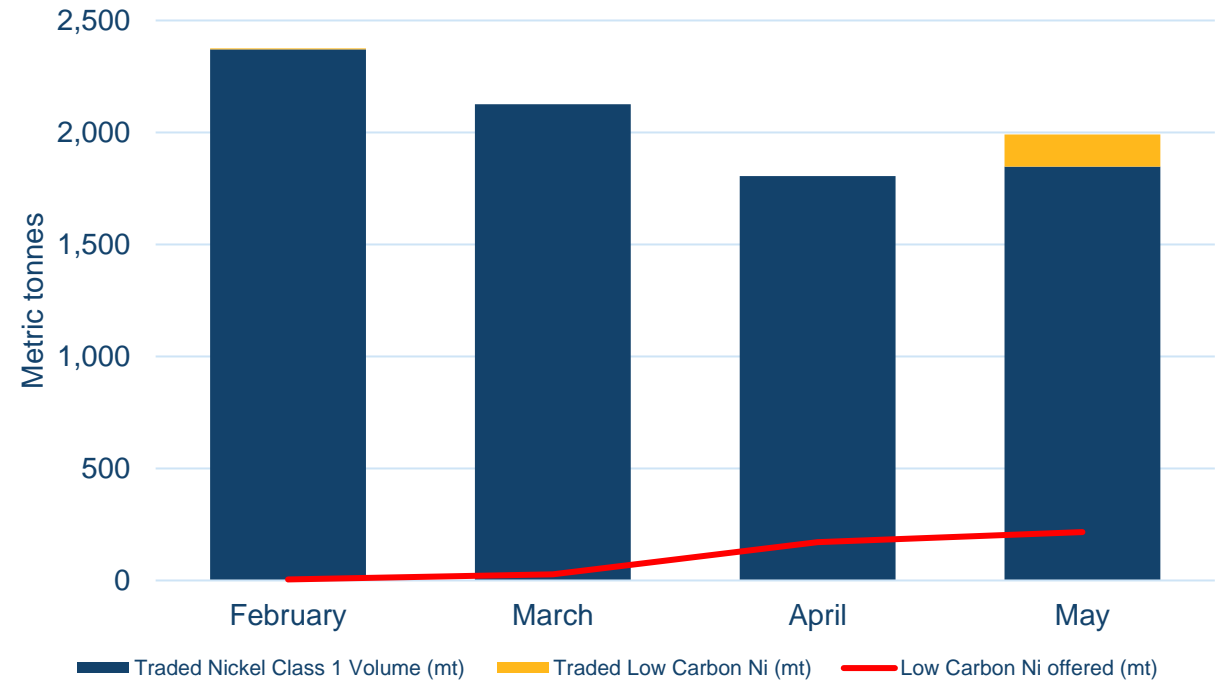
Incoming Enquiries

Relevant Everything else

Filters Refresh Settings

LISTING	QUANTITY/PRICE	SPECIFICATION	Submitted Validity
RFO (Buy) Fabiola De... wants to buy	Single delivery 10 mt Ni cath	Ni 99.8% - 100%	8 days ago
Ni cath DOP- Dusseldorf, DE	LME CSP Ni BRL/mt Ni	200 X 300 mm	in 4 hours
RFO (Buy) Libe... wants to buy	Single delivery 50 mt FeSi	Si 75% - 100%	2 days ago
FeSi CIF- Kolkata, IN	- USD/mt FeSi	3- 10 mm	in 4 days
RFO (Buy) Frederico De... wants to buy	Single delivery 5,000 kg A203	A203 100% - 100%	7 days ago
A203 CIF- Hamburg, DE	2.20 EUR/kg A203	1,500 - 1,500 mm	in 20 days

Nickel trading on Metalshub



Month	Traded Nickel Class 1 Volume (mt)	Traded Low Carbon Ni (mt)	Low Carbon Ni offered (mt)
February 2024	2,371	4	4
March 2024	2,126	0	27
April 2024	1,805	0	171
May 2024	1,847	144	216

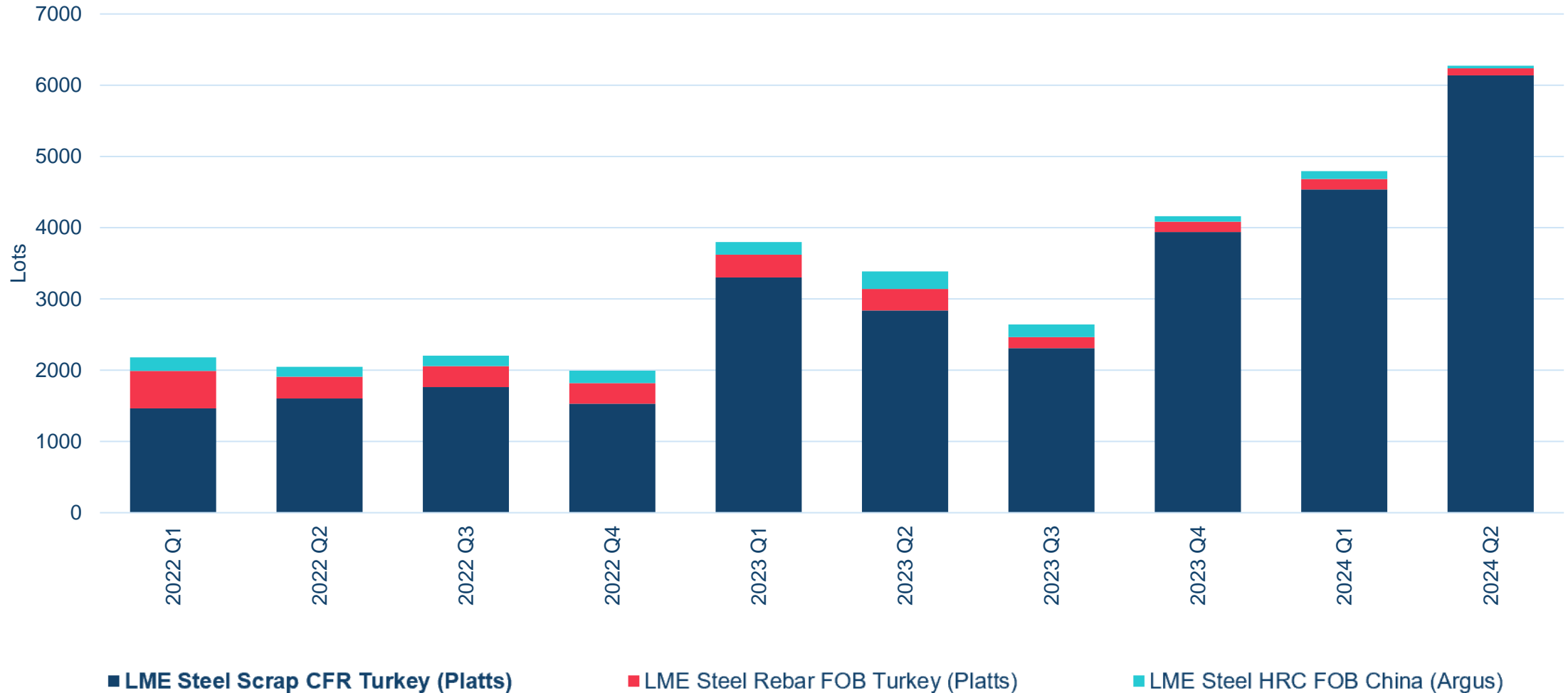
1. <https://www.metals-hub.com/blog/low-carbon-class-1-nickel-offers-increased-on-metalshub-in-april-2024/>



Growth products: Ferrous & EV metals

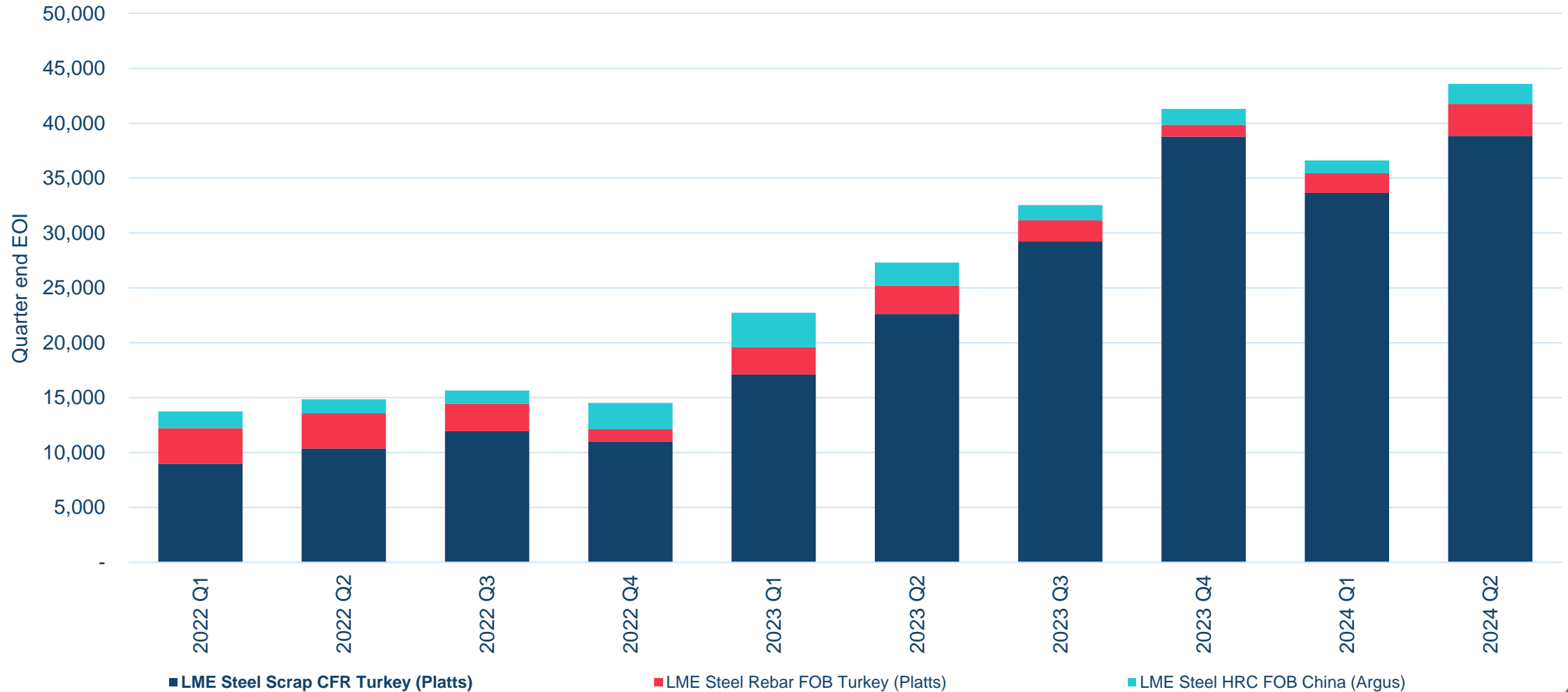
LME Ferrous: Traded volumes in CFR Turkey steel scrap surge

Monthly Traded Volume

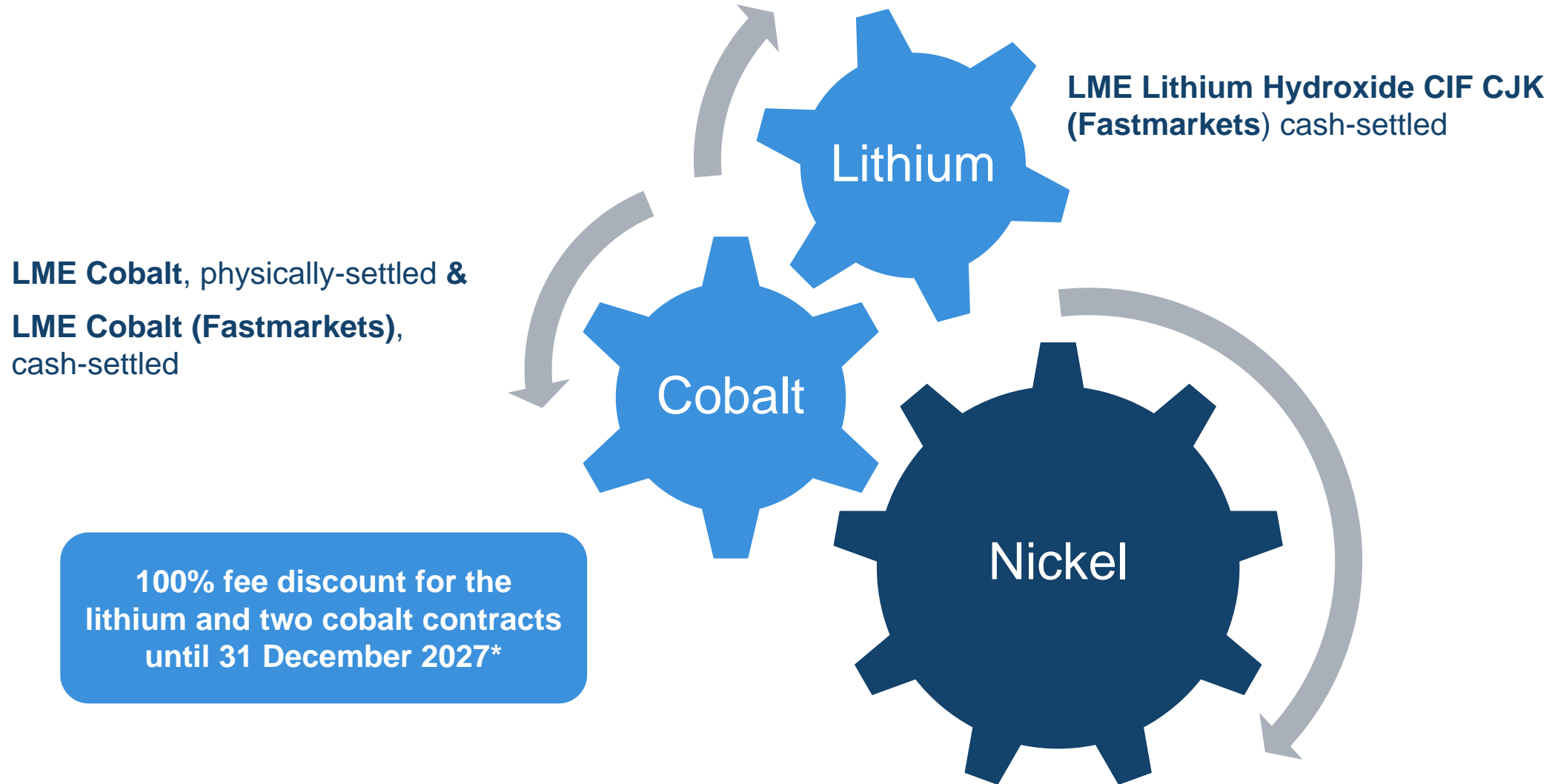


LME Ferrous: Open interest continues to grow

LME ferrous - futures quarter end EOI



The LME offers a complete suite of EV / battery material contracts



1. All incentives are reviewed on an annual basis*



Sustainability

Recent market engagement on sustainability



CBAM consultation

Proposal that all LME-listed aluminium brands will be required to report their emissions to the LME

Sustainability-related pricing

Collaboration with Metalshub to list Green Nickel and Low Carbon Aluminium on their platform

Carbon methodologies

The LME is eager to explore the current standards in use and how further progress can be achieved

Carbon pricing and risk mitigation

Exploring the role that carbon pricing will have on the LME ecosystem

Traceability

Exploring traceability practices and understanding how best this can be supported

Circular economy

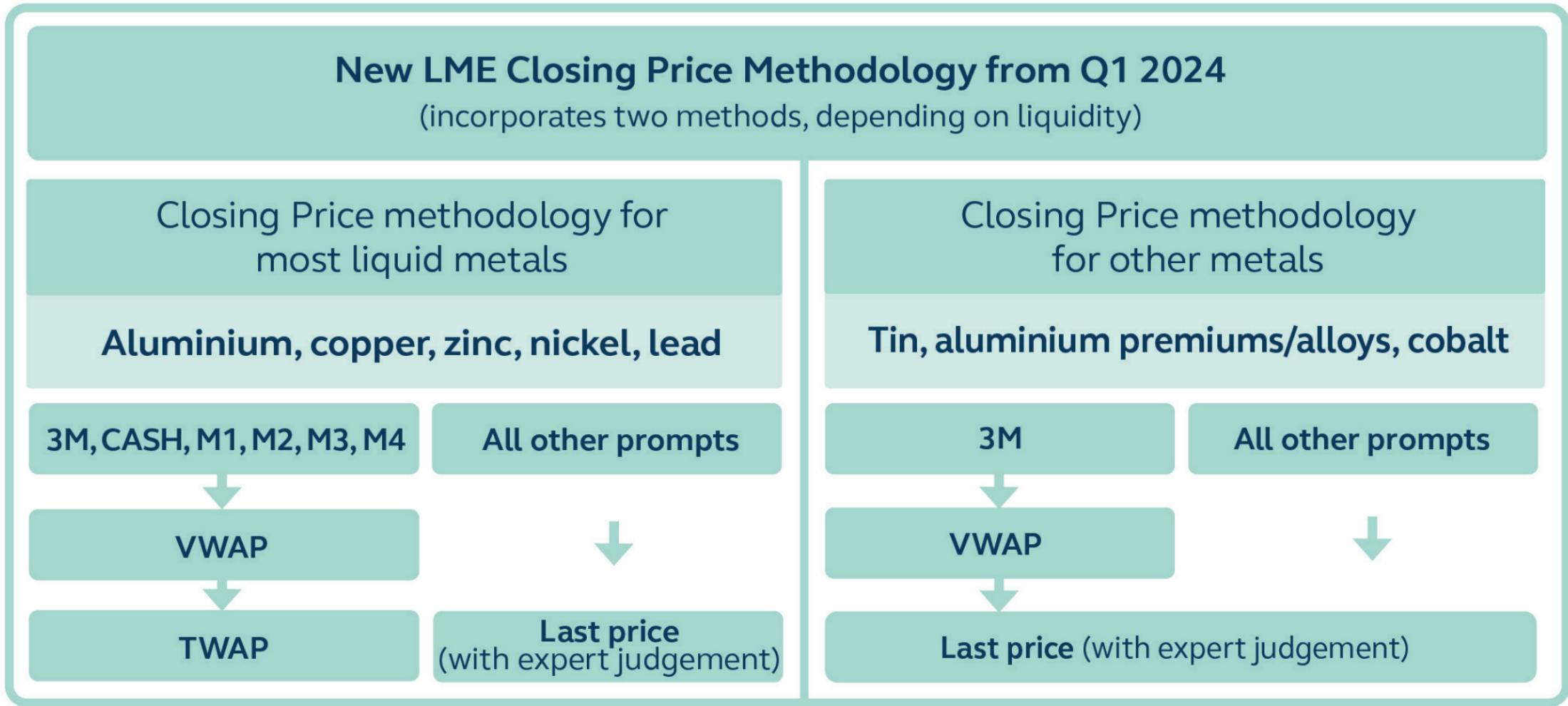
Studying what the current market practices are within this space



New Closing Price methodology

New Closing Price methodology

VWAP – Volume Weighted Average Price



Impact of the new VWAP methodology

What are the benefits?

It makes pricing more:
deterministic, transparent, representative
 and **objective**, and further aligned to
 the industry standard

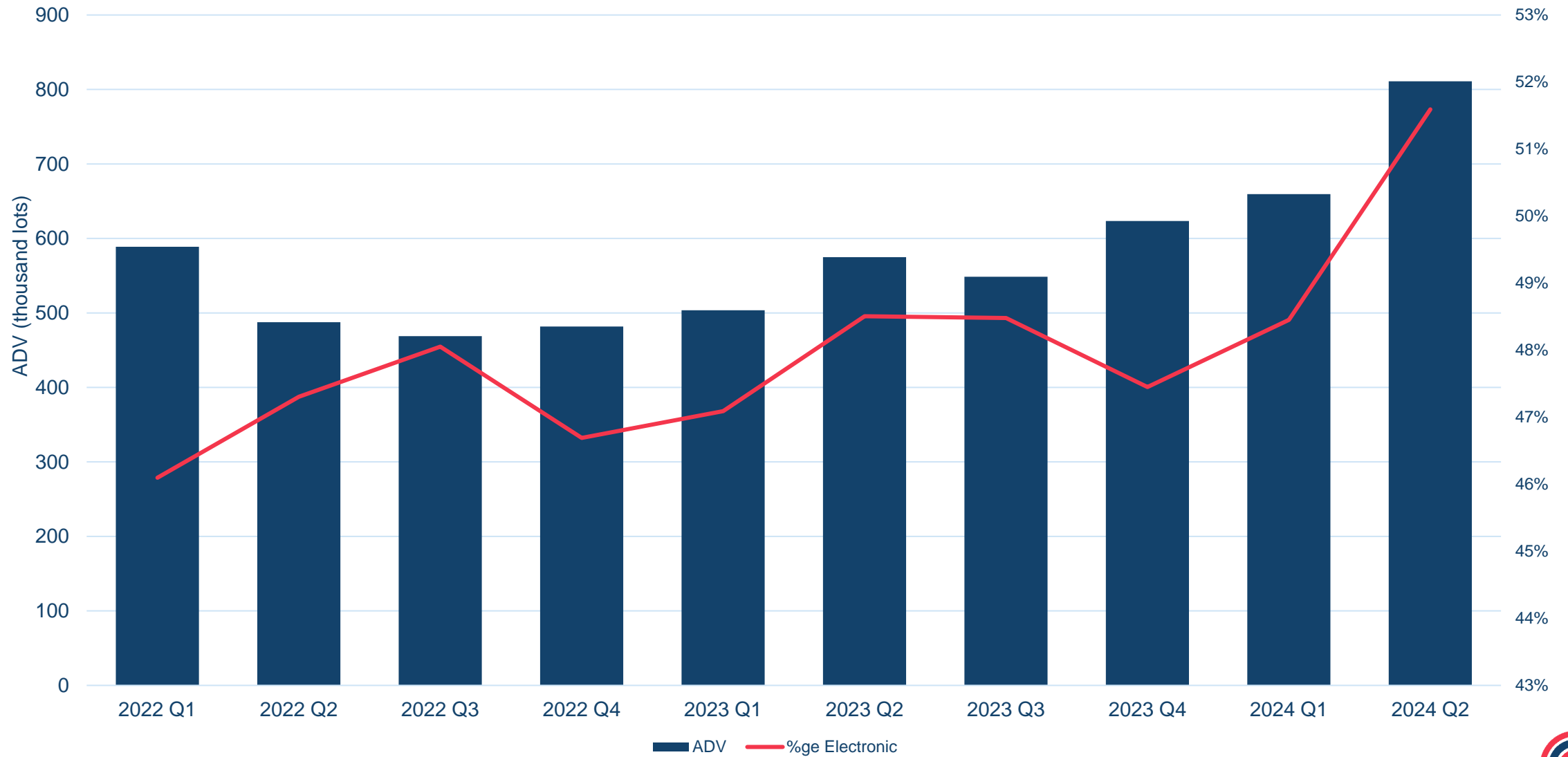
	<i>Volume in the window¹</i>	<i>Direct participants²</i>	
<i>Aluminium</i>	+56%	+16%	} VWAP from 22nd Jan 24 (103 data points)
<i>Lead</i>	+58%	+16%	
<i>Copper</i>	+41%	+17%	} VWAP from 18th Mar 24 (63 data points)
<i>Nickel</i>	+34%	+13%	
<i>Zinc</i>	+30%	+6%	

1. Volume for the instruments used in the Additional VWAP Methodology, comparing the period since implementation vs the full year prior

2. This looks at an average number of participants in the relevant spread closing window



Growing the share of electronic trading



New trading platform

New trading platform

Q4 2024: What is being delivered?

- New LMEselect v10 offering **improved performance and latency**
- Upgraded interfaces: **New FIX 5.0 sp2 interfaces** replacing current FIX 4.4 interfaces and a new binary order entry interface
- New **web-based trading GUI, LMEtrader**. Offering improved functionality and wider distribution – available to members and their clients
- New **LMEsource v4 providing market data** pertaining to the Ring, inter-office and electronic trading venues for all participants connecting to LMEsource v4



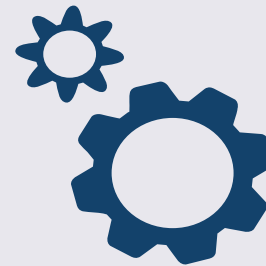
New trading platform:
LMEselect v10

**New market data
distribution system:**
LMEsource v4

New trading GUI:
LMEtrader

2025+ future functionality

- Functionality relating to an **on-screen options market** including mass quotes, mass cancels
- **Separate market data channels** for options and futures
- **Self-execution prevention (SEP)** and **market maker protection (MMP)**
- **Additional implied functionality:** implieds between and implieds chaining



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