

To: All members and other interested parties

Ref: 22/057

Classification: Trading

Date: 10 March 2022

Subject: **NICKEL MARKET UPDATE**

Summary

1. Further to Notices 22/052, 22/053, 22/054 and 22/055, published on 8 March 2022, this Notice (a) updates on the resumption of Nickel trading, and (b) sets out further information regarding why the LME took the decision to suspend trading in Nickel and cancel trades on 8 March 2022.

Defined Terms

2. Capitalised terms not otherwise defined in this Notice shall have the meaning ascribed to them in the LME Rulebook.

Update on resumption of Nickel trading

3. In Notice 22/055, the LME set out the criteria that would need to be met in order for Nickel trading to resume. These were: (i) operational procedures to effect a safe re-opening; and (ii) analysis of the possibility of netting-off long and short positions prior to re-opening.
4. These criteria have not yet been met, and therefore the Nickel market will not reopen tomorrow (11 March 2022). However, the LME is doing everything it can to reopen the market as safely and swiftly as possible. In relation to each criterion:
 - i. The LME continues to work on appropriate operational procedures to effect a safe re-opening. This includes in particular price bands, both for Nickel and for all other physically-deliverable Contracts. The LME intends to publish a Notice on price bands as soon as practicable, but this will not be before tomorrow (11 March 2022);
 - ii. In relation to netting off long and short positions, the initial responses indicated limited potential uptake, particularly from those with short positions, and considerable differences in view on the appropriate price. However, the LME is continuing to explore this with the market.
5. When the criteria have been met, the LME will inform the market of the date on which resumption of Nickel trading (**Resumption Date**) will occur.
6. As set out in Notice 22/052, Nickel delivery positions will continue to roll forward at level until delivery recommences, on the first Settlement Business Day following the Resumption Date.



Further information regarding suspension and cancellation of trades

7. Throughout the recent days, the LME has been monitoring closely the impact of the evolving situation in Russia and Ukraine and, in particular, the recent low-stock environment and high pricing volatility in the Nickel market. During Monday 7 March, significant upward price movements were observed. However, the LME considered that trading activity up to and including close of trading on Monday evening had been orderly.
8. During the early hours of trading on the morning of Tuesday 8 March, Nickel prices moved up significantly in a short period of time. It became clear that pricing in the early hours trading did not reflect the underlying physical market and that the Nickel market had become disorderly. The LME therefore took the decision, in consultation with LME Clear, to suspend trading in all Nickel contracts with effect from 08:15 UK time (Notice 22/052).
9. Given the extreme price moves and thin trading volume during early hours trading, the LME also took the decision (Notice 22/053), in the interests of market stability and integrity, to cancel all trades executed on or after 00:00 UK time on 8 March in the inter-office market and on LMEselect. Cancellations were made retrospectively in order to take the market back to the last point at which the LME could be confident that the market was operating in an orderly fashion and that prices reflected the underlying physical market – i.e. the close of the previous trading session.
10. This was in part due to the LME's conclusion that the significant price moves during the early hours trading activity had created a systemic risk to the market, including in relation to margin calls, which if LME had not acted would have closed at levels far in excess of those ever experienced in the LME market. The LME and LME Clear had serious concerns about the ability of market participants to meet their resulting margin calls, raising the significant risk of multiple defaults and a consequent reduced ability for market participants to continue to access the market and manage their risk.
11. Following feedback from market participants, the LME also took the decision (Notice 22/054) to temporarily cease to publish Official Prices and Closing Prices for Nickel contracts for the duration of the trading suspension notified to the market in Notice 22/052.
12. A number of market participants have asked about market monitoring and whether the LME has commenced an investigation into the Nickel market. While the LME cannot comment on any individual set of circumstances, the LME can confirm that it continually monitors the market for unusual or suspicious trading activity. Where such activity is identified, the LME has extensive powers of information gathering (including in relation to OTC trades), investigation and enforcement pursuant to its Rulebook, and will use these powers as appropriate.

Queries

13. Members should direct any questions relating to this Notice to the LME Relationship Management team at RM@lme.com.

James Cressy
COO

cc: Board directors
Special Committee
Nickel Committee
User Committee