

To: All Members

Ref: 17/213

Classification: Trading Fees

Date: 27 June 2017

Subject: **ADDITIONAL PROMPT DATES TO ENHANCE AVERAGING STRATEGIES**

## Summary

1. This Notice informs Members and other interested parties of the introduction of new 2<sup>nd</sup> business day prompt dates in the LME base metal suite. The technical launch of the new prompt dates will be on Monday 10 July 2017, when they will appear in LME reports and calendars. The contracts will become available for trading on LMEselect from Tuesday 1 August 2017, onwards. In addition, a fee holiday for Monthly Average Futures (MAF) contracts will be introduced from 1 August 2017 until 29 December 2017.

## Background

2. The London Metal Exchange (LME) is committed to addressing the needs of the metals community by enhancing its existing product portfolio and adding new products, where appropriate.
3. The LME understands that a significant portion of the OTC metals market is related to averaging business, where the price to hedge is not a single LME settlement price but the average of LME prices over a number of days.
4. If users desire a cash-settled hedge for a monthly average, they can achieve that by trading the existing Monthly Average Futures (MAF) contract. If users wish to retain the option to take physical delivery at a monthly average price, they can trade a MAF contract together with an opposite standard LME forward contract, both settling on the on the 2<sup>nd</sup> business day of the following month.
5. As a first step towards providing more relevant services and products for the OTC metals market, the LME is introducing a number of new 2<sup>nd</sup> business day prompt dates together with a fee holiday for MAF contracts.



## **New Second Business Day Prompts**

6. Under the current LME prompt date structure such combinations of MAF and forward contracts, as outlined above and explained in greater detail in the LME brochure on averaging solutions<sup>1</sup>, are possible only for the front three calendar months. The introduction of 2<sup>nd</sup> business day prompts for the following months 4-24 (4-15 for tin and lead) means more flexibility in bringing averaging trades onto the LME.
7. The new prompt dates are already available for testing in Member Test environment A (MTA). The technical launch will be on Monday 10 July 2017, when the new prompt dates will appear in LME reports and calendars. The contracts will become available for trading on LMEselect from Tuesday 1 August 2017, onwards.

## **MAF Fee Holiday**

8. The LME recognises that the combination of MAF contract and forward contract is economically equivalent to a single OTC trade and that it would therefore be inappropriate to charge a fee for both the MAF contract and the associated forward contract.
9. For ease of administration and to incentivise MAF trading more broadly, the LME will introduce a 100% clearing and trading fee holiday for all MAF contracts traded and cleared between 1 August 2017 and 29 December 2017.

**Oscar Wehtje**  
**Head of Product Development**

cc: Board Directors  
All Metals Committees  
Physical Market Committee  
Trading Committee

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<sup>1</sup> <http://lme.com/education/resources/>