

To: All members and other interested parties

Ref: 23/061

Classification: Consultation

Date: 13 April 2023

Subject: **US BANKING HOLIDAY 19 JUNE 2024: UPDATE AND CONSULTATION ON RELATED DELIVERY ARRANGEMENTS**

## Summary

1. This Notice seeks the views of Members and other interested parties on the LME's proposed approach to delivery deferral arrangements for open positions on Prompt Date 19 June 2024 and sets out the operational arrangements that will apply should the LME proceed with the proposed approach. Members are asked to ensure that this Notice is shared with affected Clients.

## Defined terms

2. Terms not otherwise defined in this Notice shall have the meaning ascribed to them in: (i) the Rules and Regulations of the LME; (ii) the Rules and Procedures of LME Clear; or (iii) the LME's Policy Relating to Position Management Arrangements, as applicable.

## Background

3. On 16 June 2021, the US Government announced the introduction of a new federal holiday on 19 June of each year to commemorate the abolishment of slavery ("**Juneteenth**"). Juneteenth was first observed as a US banking holiday in 2022 and the LME updated its trading, matching and clearing calendars accordingly. The LME previously notified the market<sup>1</sup> that it was considering a number of possible approaches to appropriate delivery arrangements for 19 June 2024 and 19 June 2030, as both of these dates fall on 3<sup>rd</sup> Wednesday Prompt Dates. The LME's proposal is to retain the existing 19 June 2024 Prompt Date but defer delivery of positions. This Notice sets out relevant operational arrangements that would apply to the implementation of that proposal and seeks the views of Members and other interested parties in relation to the LME's proposed approach to delivery arrangements (with detail relating to the 19 June 2030 Juneteenth holiday to follow at a later date).
4. The LME proposes that Wednesday 19 June 2024 will remain a tradeable Prompt Date on all LME Execution Venues. However, as it would no longer be a Settlement Business Day, the LME considers that it would be appropriate, and in the best interests of the market as a whole, for Members with Delivery Obligations with a Prompt Date of Wednesday 19 June 2024 to enter into Carry trade(s) on Tuesday 18 June 2024 to defer the settlement of these Delivery Obligations to Thursday 20 June 2024 with no price adjustment to the positions (the "**Proposed Deferral Approach**"). Accordingly:
  - (a) the detail of the Proposed Deferral Approach, on which the LME is seeking to consult with interested parties, is set out in paragraphs 7 and 8; and
  - (b) paragraphs 5 and 6 set out key operational considerations on which the LME is not required to consult.

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<sup>1</sup> See LME Notice 22/102



## Operational arrangements

### Lending Rules

5. In the event that the LME proceeds with the Proposed Deferral Approach, the LME would need to amend the Lending Rules<sup>2</sup> to ensure that they accurately capture all relevant positions during the week of 17 to 21 June 2024. In the event that the Proposed Deferral Approach is adopted, the LME would therefore propose to temporarily amend paragraph 34 of the LME's Policy Relating to Position Management Arrangements solely in respect of its application on 17 and 18 June 2024 such that the net cash plus one trading position of each Member / Client is included in the WTC Position calculations on: (i) Monday 17 June 2024; and (ii) Tuesday 18 June 2024.

Worked example of application of proposed amendments:

At 9:00am on Monday 17 June 2024, a Member has a Warrant position of 100 Warrants, a net tom position of 150 Lots, a net cash position of 200 Lots and a net cash plus one position of 250 Lots. The total number of Lots included in the WTC Position calculation would therefore be 700. If the total number of Live Warrants were 1,000, the Member's position would be 70% and they would therefore be required to prepare to lend in accordance with the Lending Rules.

### Official Settlement Price value for 19 June 2024 and approach to calculation of averaging prices

6. Under the Proposed Deferral Approach, Wednesday 19 June 2024 would remain a Business Day. The Official Settlement Price established on 19 June 2024 would therefore be included in the calculations for all LME published Averages for the month of June 2024.

## Consultation on delivery arrangements

7. The Proposal Deferral Approach would be given effect through the introduction of the following Regulation which (if adopted) would apply only to Contracts for prompt 19 June 2024, and would not therefore ultimately be set out in a revised version of the LME Rulebook:

### ***"JUNETEENTH DELIVERY DEFERRAL POWER***

*In relation to Contracts for Prompt Date 19 June 2024, the LME shall be permitted to direct, by Notice, that Members with open positions be required to roll their Delivery Obligations. Where such direction is issued by Notice, each relevant Member shall enter into a Carry at such prices as determined by the LME and specified in such Notice, with the effect that settlement of an affected Contract shall take place on the Business Day next following the Prompt Date."*

8. Operationally, pursuant to the proposed Regulation, the LME would provide affected Members with a list of all relevant Delivery Obligations, i.e. those that are required to be rolled. Members would consequently be required to roll their Delivery Obligations after the close of tom/next trading on Tuesday 18 June 2024 at level Carry using a basis price of the previous day's Official Settlement Price (i.e. the Cash Seller's Official Price). This must be actioned through Members booking the required Carry trades in LMEsmart.
9. This consultation is open to all interested parties including, but not limited to, Members, Clients and Indirect Clients of Members, Affiliates of Members, Dealers and other market participants. Interested parties are invited to provide feedback on the draft Regulation in paragraph 7. Formal responses to the consultation should be submitted in writing.
10. The consultation will remain open for responses until close of business on 12 May 2023. The LME shall be under no obligation to consider responses submitted after this time.
11. Any questions regarding this consultation and formal written responses should be submitted by email to [consultation@lme.com](mailto:consultation@lme.com).
12. The LME may need to share responses received with regulatory authorities, members of its group, and its legal or other professional advisors, or as required by law. Anonymised responses (verbatim or

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<sup>2</sup> As set out in the LME's Policy Relating to Position Management Arrangements.



paraphrased) may be included in any decision notice(s). Apart from this, all responses will be treated in confidence.

13. Following due consideration of any responses and the close of this consultation, the LME may implement:
  - (a) in respect of any or all of the consultation proposals, that proposal, a modified version of that proposal, an alternative to that proposal, or no measure in respect of that proposal;
  - (b) any other measures; or
  - (c) no measures.
14. Following this consultation, the LME will advise Members via one or more Notices of the outcome of this consultation.
15. The LME acknowledges that there may be costs for Members in complying, or otherwise in connection with, the proposals set out in this Notice. However, the LME believes that the proposals are justified and in the interests of the wider Membership and the LME market and in ensuring that the LME continues to comply with its regulatory obligations. The LME has not identified any unintended consequences as a result of any of the proposals. However, the LME is interested in the views of respondents to the consultation in this regard.

#### **Queries**

16. Any queries in relation to this Notice should be directed to [rm@lme.com](mailto:rm@lme.com).

**Jamie Turner**  
**Interim Chief Operating Officer, LME**

cc: Board Directors  
User Committee  
Traded Options Committee  
Ring Dealers Committee  
All metals committees