To: All members, warehouse companies and their London agents

Ref: 22/049 (LME Notice)
     22-012 (LME Clear Circular)

Classification: General Updates

Date: 25 February 2022

Subject: RUSSIAN SANCTIONS – FURTHER UPDATES

Summary
1. This Notice provides an update on the LME’s understanding of how the current US, EU and UK sanctions in respect of the situation in Russia and the Ukraine affect the LME market.

Background
2. The LME’s priority in any challenging geopolitical situation is to ensure that an orderly market is maintained, which includes providing a reliable price reflective of global market conditions. The LME has robust procedures and the necessary powers in place to take any action that may be required to ensure market stability in response to sanctions that impact the LME market.

3. In the event that any brand is subject to sanctions, the LME is in a position to respond swiftly and appropriately to take action in respect of the brand. Such action might include suspending the brand, or suspending production from a certain date. Due to the global nature of the LME brand list, continuity of supply can still be achieved even in the event of some brands being sanctioned due to their location.

4. Neither the LME nor LME Clear have any Russian entities as members. The LME understands that a small number of members may have positions, directly or indirectly, with individuals or entities which have become subject to sanctions. Where this is the case, the member must ensure that it takes immediate action to achieve sanctions compliance, including ensuring that no payments are made to any sanctioned person (see paragraph 7 below). The LME will work closely with the member to assist.

5. This notice sets out the LME’s understanding of the sanctions on which its decisions are based. It does not purport to constitute legal advice or guidance for members or other market participants on whether or not any given action is permissible for them and nothing in this notice should not be relied on by any person. Members and other market participants should always seek their own legal advice.

Brands
6. President Biden issued an Executive Order on 22 February 2022, which, among other things, prohibits investment into certain Ukrainian regions (non government-controlled Donetsk and Luhansk) and also the importation of goods from those regions. The EU has taken similar action in respect of these regions, and the LME understands that the UK will follow suit in the coming days. There is one aluminium alloy brand URV produced by “TPK Urksplav” Ltd in one of these regions, however the brand is currently suspended and there is no stock on LME warrant. For completeness, the LME notes that there are also two lead brands produced by CJSC “SVINETS” in Donetsk but these are not produced in the affected part of Donetsk and are therefore not impacted by the Executive Order.

Counterparties
7. Starting 22 February 2022, the US, EU and UK have announced widespread sanctions against Russian entities and individuals. Neither the LME nor LME Clear have any Russian entities as members. The LME understands that a small number of members may have open positions with Russian individuals or entities which have become subject to sanctions. The LME would make the following points in relation to this:
(a) It is essential that members undertake their own checks against relevant sanctions lists;

(b) Whilst the US sanctions include certain general licences authorising wind-down activities in derivative contracts, the UK has to date issued no such general licence. The UK sanctions require that funds or economic resources owned, held or controlled (directly or indirectly) by a sanctioned person are frozen and there is also a prohibition on making funds or economic resources available directly or indirectly to or for the benefit of a designated person. Accordingly, if a member is holding a position with or on behalf of a designated person, any payments must be frozen, unless the member obtains a specific licence. The member will need to consider what other action needs to be taken in respect of the position, in accordance with the relevant terms of business;

(c) Members are reminded of their contractual obligations under the LME and LME Clear Rules to comply with all relevant sanctions requirements and to ensure that any business conducted by or through them does not cause the LME or LME Clear to be in breach of any relevant sanctions requirements;

(d) Members who have positions with or for the benefit of any sanctioned entity should contact the LME without delay to confirm the positions they hold and confirm the action they are taking. Currently, the LME anticipates taking the following action:

(i) LME Clear removing the “auto-repay” function for the relevant account within LMEmercury so that the member makes manual withdrawals from the account. This should assist with sanctions compliance by ensuring no relevant payments are made automatically: the member can ensure any payments due relating to a position with a sanctioned entity are blocked;

(ii) Re-confirming to the LME and LME Clear that the member will comply with all relevant sanctions requirements and will ensure that any business conducted by or through them does not cause the LME or LME Clear to be in breach of any relevant sanctions requirements (all relevant members will be required to provide a standard form of undertaking wording).

Further information

8. As set out in Notice 22/048, the LME will continue to update members of any necessary actions via member notice. Given the sanctions situation is fluid the LME has set up a webpage which includes the latest information on sanctions. Any questions should be directed to RM@lme.com.

Tom Hine
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cc: Board directors