



To: All members, warehouse companies and their London agents

Ref: 22/200

Classification: Warehousing

Date: 16 August 2022

Subject: **WARRANTING OF RUSSIAN NICKEL BRANDS IN UK WAREHOUSES**

Summary

1. Following the announcement by the UK of a 35% additional duty on imports of Russian nickel, this Notice announces the immediate suspension on placing the brands listed in appendix 1 on warrant in LME-listed warehouses in the UK unless the Warehouse can establish that the exportation date from Russia was prior to 20 July 2022.

Defined Terms

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

Background

3. The UK government has introduced the Customs (Additional Duty) (Russia and Belarus) (Amendment) (No. 2) Regulations 2022 (the "Regulations"). The Regulations impose a 35% additional duty on importing nickel of Russian and Belarussian origin and releasing these for free circulation in the UK from 20 July 2022, unless it can be established that the relevant metals were exported from Russia or Belarus before 20 July 2022.
4. The LME is concerned that any metal which is subject to the Regulations and which is put on warrant in LME-listed warehouses in the UK will be unable to be removed from warrant and imported into the UK without significant additional cost as a result of the Regulations. Equally, the cost of shipping the metal elsewhere could be prohibitive. Therefore, in respect of Russian produced nickel which is subject to the Regulations, there is a significant risk that there will be a dislocation between the price of the traded metal, and the price of the underlying physical metal.
5. In order to minimise the risk of any such price dislocation, and in turn any possible market disruption and disorderly market conditions as a consequence of the Regulations, the LME considers that it is necessary to announce an immediate suspension on placing the nickel brands listed in appendix 1 on warrant in LME-listed warehouses in the UK unless the Warehouse can establish, with clear documentary evidence (including proof of export and proof that the products have been transported out of Russia), that the Russian originating nickel has satisfied Russian export customs formalities and physically left the Russian territory prior to 20 July 2022.



6. It should be noted that there is currently no nickel in LME-listed warehouses in the UK produced by the entities listed in appendix 1, and therefore the existing nickel on warrant will not be impacted by the Regulations. Further, the LME does not list any nickel which is produced in Belarus.

Warranting of Russian Nickel in UK Warehouses

7. With immediate effect, pursuant to its powers under Part 7 of the LME Rulebook, the LME hereby announces a suspension on placing the nickel brands listed in appendix 1 on warrant in LME-listed warehouses in the UK unless the Warehouse can establish, with clear documentary evidence (including proof of export and proof that the products have been transported out of Russia), that the Russian originating nickel has satisfied Russian export customs formalities and physically left the Russian territory prior to 20 July 2022.
8. Warehouses are reminded of their obligations under clause 6.4 of the LME Warehouse Agreement to maintain records regarding the duty and tax status of each lot of underlying metal. In relation to the Regulations, Warehouses must maintain documentation which clearly demonstrates the exportation date of nickel produced by the brands listed in appendix 1. In relation to nickel exported from Russia prior to 20 July 2022, Warehouses will need to provide documentation recording the exportation date from Russia to the owner of the metal upon request, as this will be relied upon by the owner at the time of importation into the UK to demonstrate that the nickel is not subject to the additional duty under the Regulations. It is noted that the LME has the power under clause 6.4.2 of the LME Warehouse Agreement to request copies of Warehouses' records regarding duties and tax in relation to the underlying metal, which would include records of the date in which nickel was exported from Russia. The LME does not expect Warehouses to provide it with copies of documentation recording the exportation date of nickel unless requested.
9. In the event that a Warehouse cannot establish that nickel subject to the Regulations was exported from Russia prior to 20 July 2022, the Warehouse must not place the nickel on warrant in LME-listed warehouses in the UK. If nickel which is subject to the additional duty under the Regulations is placed on warrant in the UK, this will constitute a breach of the LME Warehouse Agreement and the LME may take appropriate action.
10. The LME notes that it has taken similar action to suspend the warranting of Russian produced copper, lead and aluminium in LME-listed warehouses in the UK, following the UK's announcement in March 2022 to impose additional duties of 35% on the aforementioned metals. Further information on the suspension in respect of Russian produced copper, lead and aluminium can be found in Notice 22/097 dated 1 April 2022, which continues to remain in force.
11. The requirements set out in this Notice shall remain in force until further notice. The LME will revisit the requirements if the Regulations are amended or removed.

Matthew Chamberlain
Chief Executive Officer – LME



Appendix 1

Nickel

BRAND	PRODUCER
NORNICKEL	JSC "Kola GMK"
SEVERONICKEL COMBINE H-1	JSC "Kola GMK"
SEVERONICKEL COMBINE H-1Y	JSC "Kola GMK"