

To: All Members, warehouse companies and their London agents and other interested parties

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Subject: **2019 LME CONSULTATION ON WAREHOUSE REFORM**

1. The London Metal Exchange (“LME”) is today publishing two papers (both attached) in respect of its warehouse reform as follows: (i) a summary of the feedback received to its discussion paper on LME warehouse reform, released in March 2019 via Notice 19/092; and (ii) a consultation paper on those items from the discussion paper which it believes represent positive progress for the LME warehouse network, as well as a number of other proposals which were not included in the discussion paper, but on which the LME believes that further action is appropriate. The papers include full details on how to get in touch with the LME on this topic.
2. All the documents in respect of the LME’s 2019 warehouse reform proposals can be found on the LME website at: <https://www.lme.com/Trading/Warehousing/2019-warehouse-reform>.
3. The documents attached to this Notice are as follows:
 - Discussion paper on LME warehouse reform: Feedback analysis
 - LME consultation on warehouse reform, plus appendices:
 - LME Policy on the Approval and Operation of Warehouses – redline
 - LME Policy on the Approval and Operation of Warehouses – clean
 - LME Policy on the Approval of Locations as Delivery Points – redline
 - LME Policy on the Approval of Locations as Delivery Points – clean
 - LME Warehouse Agreement – redline
 - LME Warehouse Agreement – clean
 - LME Complaints Procedure – redline
 - LME Complaints Procedure – clean

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cc: Board Directors
User Committee
Physical Market Committee
Warehousing Committee
All metals committees



Discussion paper on LME warehouse reform: Feedback analysis

July 2019

1	EXECUTIVE SUMMARY	3
2	RESPONSE OVERVIEW	4
	2.1 Discussion paper respondents	4
	2.2 Discussion paper responses	4
	2.3 Legal considerations	4
3	ANALYSIS OF DISCUSSION PAPER RESPONSES	6
	3.1 DQ1. LME stocks	6
	3.2 DQ2. LME analysis of stock levels	7
	3.3 DQ3. QBRC Rule	8
	3.4 DQ4. Evergreen rent deals	9
	3.5 DQ5. Headline rents	10
	3.6 DQ6. Free on Truck ("FoT") rates	12
	3.7 DQ7. Electronic Certificates of Analysis ("CoAs")	13
	3.8 DQ8. Load-out definition	14
	3.9 DQ9 & DQ10. FoT currency denomination and LME clarification	14
	3.10 DQ11. Eligible stock reporting	15
	3.11 DQ12. Scheduling load-out	16
	3.12 DQ13. Stock reporting	17
	3.13 DQ14. Copper batch references	17
	3.14 DQ15. Additional comments	18
4	CONCLUSION	20

1 EXECUTIVE SUMMARY

Since 2013, the London Metal Exchange (the “LME” or the “Exchange”) has led an ongoing warehouse reform process, aimed at tackling structural warehouse queues and ensuring that the warehouse network meets its core role of settlement and price convergence for LME contracts. However, the LME is also aware that LME warranting is used more broadly by metal market participants seeking to store and finance metal, many of whom believe that liquidity and transparency would be enhanced by higher stock levels.

Given the ongoing debate on these issues, and that of the overall efficiency of the LME warehouse network, in March 2019 the LME launched a Discussion Paper on Warehouse Reform (the “discussion paper”), which put forward a number of reform proposals developed by the LME Warehousing Committee with the aim of ensuring the LME physical network continues to represent best practice. The discussion paper also put forward some reform ideas as suggested by the LME, in response to feedback it had received from the market more broadly on these topics.

The discussion paper feedback period closed on 31 May 2019. This report provides the LME’s summary of the feedback received in respect of the discussion paper, the LME’s analysis of that feedback, and an outline of next steps where relevant.

In respect of those reform proposals with which the LME would like to progress (believing that they would add value to the operation and governance of its network, or the network as a whole), the LME has also published a consultation paper (the “LME consultation on warehouse reform” or “Consultation”), launched via Notice 19/237, “2019 LME consultation on warehouse reform”. All the information pertaining to the proposals included in that consultation, and how to respond, can be found in the Consultation.

2 RESPONSE OVERVIEW

2.1 Discussion paper respondents

In total, the LME received 46 responses to the discussion paper.

The LME would like to thank these respondents for taking the time to reply and for all the comments and feedback provided. The Exchange appreciates that, in many cases, considerable time and effort has been invested by respondents in formulating their responses.

2.2 Discussion paper responses

The discussion paper was divided into three sections:

- (i) Strategic proposals put forward by the LME Warehousing Committee
- (ii) Operational proposals put forward by the LME Warehousing Committee
- (iii) Other proposals put forward by the LME

Within this structure, the LME outlined the various reform proposals and asked a number of discussion questions (“DQ”) for the market to address specifically (although for the avoidance of doubt, the LME accepted responses structured in all forms). These questions are addressed in turn in Section 3 below, along with the LME’s response and proposed next steps.

2.3 Legal considerations

This document does not constitute a binding commitment from the LME to implement any of the proposals set out herein. Any statement in this document as to the LME’s intent or commitment to any proposal is a statement of LME’s current intent. It is possible that the LME may re-assess such intentions. The LME accepts no responsibility or liability to any person with respect to any action taken or omitted to be taken by such person in reliance on any statement made in this document. The LME may undertake subsequent consultations with its members with respect to the implementation of specific proposals, in accordance with its usual consultation process and applicable rules.

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**Discussion paper on LME warehouse reform:
Feedback analysis**

investment, legal, tax and other relevant advice before making any decisions based on the Information.



3 ANALYSIS OF DISCUSSION PAPER RESPONSES

3.1 DQ1. LME stocks

Are you concerned about the level of LME stocks? To what extent should the LME take policy action to increase on warrant stock levels?

The answers adopted by respondents in question one tended to represent the principal view with which they interpreted the role of LME warehousing and what should be the LME's primary drivers when managing this network. Consequently, the attitude to stock levels represented in these responses served to shape respondents' answers to later questions, particularly on LILO, QBRC and headline rents.

As stated within the discussion paper, the LME did not, at the time of writing, have a view on maintaining or increasing the level of on warrant stocks as a policy aim. However, many respondents seemingly disagreed with this perspective when answering this question and broadly respondents can be placed into three categories; (i) those that were concerned with low stock levels and believed the LME should take policy action to increase on warrant stock, (ii) those that were concerned yet did not recommend LME policy action as they doubted its utility, and (iii) those that were unconcerned and did not think the LME stock should be the LME's concern.

Respondents that were concerned about low on warrant stock levels cited numerous reasons as to why this was detrimental to the LME and its market. To attempt to substantiate that recent LME stock levels were low, one respondent referred to the statistic that total LME stocks have fallen from more than 7 million tonnes in 2013 to 1.7 million tonnes at the end of March 2019. Also, it was maintained in a number of responses that stock liquidity was crucial to the exchange. This is because a fundamental component of the LME is the effectiveness of the LME price to the metals industry. Respondents argued that rising levels of world metal stocks sitting off warrant, and therefore not making up the LME price, meant that the utility of the LME price to the metals industry could deteriorate. Increased transparency was a common theme amongst this group and LME Aluminium was cited as an example; with stocks (excluding China) only accounting for 15% of the global total. Additionally, many of these respondents raised market abuse concerns that arose from low liquidity. It was argued that a low stock environment offers larger market participants a greater opportunity to control physical stock, control shipping capacity, and impact futures positions and market premiums. Additionally, one respondent argued that chronic low stocks can cause frequent technical backwardations which can become endemic and increase the risk of a disorderly market. They asserted that higher liquidity is preferable as it keeps markets functioning efficiently and adds transparency. From a warehousing perspective, one respondent argued that low stock levels could disincentivise warehouse companies from entering and maintaining their locations within the LME warehouse network.

After establishing their belief that low stocks were detrimental, a number of respondents indicated that LME policy actions could help improve liquidity. The main focus of these recommended policy changes was around warehouse operations. It was reasoned by this group that the LME should take action to ensure that warehouse operators can function in a manner which attracts inventories from off warrant to on warrant, and that a major cause of low on warrant stock levels was that storing metal in the LME network is unattractive due to high warehousing charges and inefficiencies of loading out. Furthermore, it was stated by a smaller group of respondents that any policy change from the LME should be to simplify the complicated ruleset which currently governs the LME



warehouse network. This would subsequently increase the network's attractiveness to market users. These respondents also cited their answers to discussion questions on headline rents, QBRC and LILO as further guidance on what policy amendments could be made.

Conversely, despite concern for LME stock levels, another group of respondents advised against further LME policy action, arguing that amendments were only likely to add complexity and drive more material away from the Exchange. They asserted that over-regulation and complications in dealing with the Exchange had already resulted in the lower stock levels.

Those respondents who reported themselves as unconcerned with current LME stocks, broadly took the view that stock levels should not be viewed as anything more than a constituent part of the physical market picture, and consequently, that low stocks could simply be, amongst other things, the result of the good global economy in the last few years. They contended that in the LME market, if stocks are too low, there will be a backwardation that will encourage metal onto warrant thus maintaining suitable stock liquidity. Answers from this group questioned the appropriateness of an LME policy encouraging higher stocks and asserted that the purpose of the LME's warehousing network has always been to provide a market of last resort for metal owners who need to deliver against a position, and for consumers who cannot source metal from physical markets. One respondent cited that the global recession in 2008 acted as a clear example of this; when physical demand dropped off, metal was placed on warrant as a last resort. By further policy action encouraging warehousing incentives, it was argued, the LME would change its role to a market of "first resort", a role which these respondents did not believe the LME should undertake. They warned that forcing material on warrant may instead result in metal leaving the LME warehousing system entirely.

3.2 DQ2. LME analysis of stock levels

Do you agree with the analysis set out in Section 2.3? If not, why not?

The LME, in Section 2.3 of the discussion paper, presented its analysis of the drivers of metal onto LME warrant. While most respondents agreed that the market fundamentals analysis was correct, they also pointed out that the high free on truck and rent rates meant that except for the crucial role of delivering against positions, users were discouraged from using the LME as "last resort". It was asserted that the LME should not aspire to be a physical clearing market where metal flows into the LME en-route from producer to consumer, as this would dilute the fundamental purpose of the Exchange in being a physical market of last resort.

A far higher number of responses focused on the logistics and incentives analysis. For the logistics analysis, again most agreed with the LME. However, some respondents argued that the discussion paper's description as to why LME warrants are the "gold standard" was incorrect. They argued it was not the security of the compound or the logistical efficiency of the LME warehouse network that attracted users, but the legal certainty of ownership and fungibility that an LME warrant provided that was the main attraction for stock. Additionally, respondents mostly agreed with the analysis that the lack of transparency offered by off warrant stocks and its low price comparative to LME storage was a key to metal remaining off warrant. However, they also pointed out that the LME network logistically may not have the preferred warehouse location for some metal owners, or that some market participants were put off by the strict LME policies and these factors also kept metal from entering the LME system.

The paper's analysis of incentives also featured heavily in numerous answers, particularly in response to the LME's assertion that it understands incentives represent a key element of the reality of metals warehousing. One respondent argued to the contrary, and stressed that incentives were not necessarily a key element of LME warehousing but instead served to be disruptive to the market. Another added that low or zero incentives do not necessarily mean that metal will not flow onto LME warrant. They asserted that when producers and traders are unable to find buyers for metal, the LME remains the market of last resort and this would naturally occur without warehouses offering incentives. Consequently, this respondent believed that competition between warehouses should be based upon cost and quality of service rather than the quirks of the LME system.

The paper also stressed that certain warehouse operators believed that LME reform may have progressed too far, that in some circumstances the QBRC Rule may result in the warehouse having to provide free storage and in this circumstance, the willingness of the warehouse operator to pay incentives may be reduced. In response to this analysis, many respondents referenced their answers to question three (relating to QBRC) but reiterated that they did not believe that the 2013 LME reform "may have progressed too far." One respondent also argued that this analysis of warehousing beliefs was incomplete and failed to address the core considerations of what is influencing warehouse company behaviour. In particular, they noted, the analysis focuses on QBRC, which they argued was not a material factor in how a warehouse operator assesses how aggressively they pursue opportunities to warrant material. More generally, one respondent contended that they agreed with the analysis but it should also be noted that it was relevant only to metal that met LME storage and shape conditions, and consequently, was not applicable to the vast tonnage of metal that did not meet these requirements.

3.3 DQ3. QBRC Rule

Do you agree with the proposal to change the parameters of the QBRC Rule? If so, do you believe that 80 days represents an appropriate parameter?

Some advocates of the proposal suggested that extending the parameters would allow warehouse operators to organise themselves commercially to attract more metal from off warrant to on warrant storage. One respondent argued that the proposed increase would keep the minimum guaranteed rent which a warehouse earns capped below the historical average premiums for the region and felt that the reform would not cause any abnormal distortion to physical market premiums. Several respondents further felt that the proposed parameter of 80 days was an appropriate measure; a welcomed departure from the tiered rent charging model to a simpler 80 day full rent charge model. However, one respondent in the group supporting the parameter change argued that the current 2 step system of capping rents by half and then eliminating rent at a certain threshold was a compromise that matched the interests of both metal holders and warehouse operators. They therefore suggested the LME increases the threshold for the 50% rent cap to 60 calendar days, and the threshold for no rent at 90 days.

Market participants that opposed the proposal broadly echoed the view that extending QBRC to 80 days would create a heightened risk of queues forming. One respondent emphasised that the extension may simply lead to a maximisation of queues for a longer period and highlighted that parts of the community have demonstrated an ongoing willingness to maximise storage strategies around the LME Rulebook. A concerned participant further argued that such extension would immediately lead to an increase in the maximum incentive payable by warehouses, which they felt would not be a desired change as it would reduce warehouse competition. This view was reflected by other respondents who noted that extension would be a step in the wrong direction, thus translating into

artificial incentives. Negative impact on the LME cash price and increased physical market premiums were also mentioned as potential undesirable results of the extension.

The LME notes the assertion of warehouse operators that the creation of structural queues – evident following the global financial crisis of 2007-2008 – is no longer a core element of their business model. However, this clearly needs to be proven in practice. As such, the LME considers that the advancement of extension of QBRC to 80 calendar days, with no 50% rent period, may be an appropriate measure. At the same time, the LME does accept that the potential negative impact on the market is a reasonable concern and, as such, is proposing to implement the parameter change on a phased basis, so that the effects of such implementation can be observed by the Exchange and by the market. Full details on the proposal and the rationale are set out in the Consultation.

3.4 DQ4. Evergreen rent deals

Do you agree with the proposal to require the termination of evergreen incentives prior to physical load-out of metal? If so, what do you believe is the appropriate mechanism by which a new metal owner can terminate pre-existing rent share agreements?

Those that supported termination prior to physical load-out argued that an appropriate mechanism to terminate pre-existing rent share agreements could apply upon cancellation of the warrant or on request from a metal owner. One respondent supported the idea of termination at cancellation and recommended that the LME considers applying such rule to new evergreen incentives only, therefore suggesting that such a rule would not impact those agreements prior to a certain implementation date. This group also considered issues of confidentiality, noting that termination before load-out would reduce the risk of breach of confidentiality, as the link between warehouse operators and previous owners would no longer exist. One respondent argued that no commercial purpose existed for market participants to share rent beyond warrant cancellation (as counterparties would no longer bring further value to the transaction) and, consequently, the sharing of rent could have a disorderly effect on the market.

At the opposing end of the spectrum, several respondents believed that these deals are important to the market in incentivising metal to be stored on warrant, which benefits the market as a whole. To this effect, one respondent argued that rent-share deals are an important part of the instruments warehouse operators use to attract metal. A further respondent took the view that participants who bring metal into the warehouse system should benefit from evergreen rent deals.

Others also disagreed with the proposal. However, they considered the impact from a different lens, arguing that the proposal would result in higher incentives required to attract cargo. Moreover, some respondents took the view that such deals should be prohibited or banned entirely. One respondent who took this view noted that evergreen incentives should not be allowed; however, cash incentives should instead be provided on delivery of material. However, such views were relatively uncommon.

Finally, some respondents felt that the LME should interfere as little as possible in commercial arrangements. One supporter of this view argued that the market would probably find new loopholes and incentives either way, therefore suggesting that the proposal would not be beneficial.

Feedback received reiterates that the debate over the use of such deals is still ongoing and the market is broadly split on the benefits. The LME understands these varying viewpoints – and, as a general matter, believes that commercial arrangements between participants are for those parties to negotiate, and the LME should only place restrictions on such arrangements in limited circumstances



(i.e. where such are distortive, manipulative or have a negative effect on the market). Further, the LME believes that incentives continue to play an important role in attracting metal on warrant, especially in light of the difficulty of achieving this through logistical optimisation – as is fully explored in the Consultation. As such, the LME is proposing a hybrid approach that continues to allow evergreen rent deals, but only on new metal (i.e. metal not already on warrant). This, and the associated caveats, are fully set out in the Consultation.

3.5 DQ5. Headline rents

Do you agree that headline rents should be lowered? If so, and if you are a user of off warrant storage, would you expect to make greater use of the LME warehousing network?

Responses to this question tended to fall into three main categories:

- (i) The first group took the view that high headline rent rates discourage physical market actors from making greater use of the LME warehousing network, particularly when considering the comparatively cheaper rent rates offered in the off warrant space (a space they argued that offered almost identical storage benefits).

Many respondents took the view that LME stocks had been decreasing because of the cost differential between on and off warrant warehousing. It was argued by this group that the cost premium that LME storage required no longer had any rational link to the actual cost of storage. (This view was, challenged by another respondent who believed that the additional risk management, security and simplification of trade complexity that LME storage offered justified the additional premium). Most respondents who believed in lowering headline rents still believed that LME storage merited some premium. However, their assertion was that if rent levels were more aligned with the off warrant storage market, more material would come onto LME warrant because of the preference for LME warrants at financing banks and insurance companies. Furthermore, these users stated that current high headline rents subsidised low off warrant rents and, consequently, if headline rents were to be lowered then off warrant rents would in turn become higher, tightening the spread between the two and attracting more metal into the LME warehousing network.

Proponents of lower headline rents argued that the artificially high rents were causing market inefficiencies which acted as barriers to entry for potential commercial users (as opposed to financial users who used the LME, due to incentives paid, as a market of 'first resort') of the LME warehousing network who wished to use the LME as a market of last resort for sourcing and selling of their metal. They argued that the incentives warehouse companies were paying to users to place metal onto LME warrant, so that they could collect the high headline rents and were encouraging inefficient practices. One practice they highlighted was the queue business model, whereby warehouse companies are incentivised to delay and frustrate the load-out of metal so that a queue is formed where full rent can be charged. They argued that these subsequent queues, caused originally by the high headline rents, result in reduced availability of metal and disrupted trade flows

- (ii) The second group took the contrary interpretation that high headline rents, and the consequent incentives offered by warehouse companies to place metal on warrant that they enable, were crucial in driving metal onto LME warrant.

These respondents opposed the view that headline rents should be lowered, asserting that any reduction in rent could never be sufficiently large to bring headline rents as low as off warrant costs. They asserted that commercial users would not start using the LME warehouse network more frequently with a small reduction. One respondent pointed out that reducing headline rents (and thus warehouse revenue) with all other variables remaining static, would reduce the magnitude of the incentives offered and therefore under most market conditions, reduce the amount of stock brought into the LME system. Proponents of this view argued that incentives caused by high rents were crucial in bringing in stock to the LME system. Moreover, these incentives were critical in the established business models of many traditional LME users who relied upon them and, they argued, these are the most important users in supplying the LME warehousing network. Respondents also noted that the income received by the warehouse companies from headline rents was fundamental and lowering headline rents would deteriorate the profitability of LME warehousing, putting the whole LME warehousing system at risk. They added this income was particularly important at a time when lack of space and soaring costs at major ports is already putting LME warehousing business models under threat

- (iii) The third group took the view that the vast majority of metal held in the LME system is not held under headline rent rates and instead, accordingly, any lowering of these rates would be unlikely to influence usage of the LME warehousing network.

These respondents indicated that headline rents had little influence on the actions of those that hold the majority of metal in the LME warehousing network. This is because, they asserted, the market understands that rent levels are simply the maximum level that can be charged and the majority of metal is held with the warehouses on bilaterally negotiated rents (which are considerably lower). As a result, the lowering of headline rent would have very little impact on the behaviour of the bulk of users that place metal on-warrant. On the other hand, one trader pointed out that these negotiated rent deals are unfair on small and medium sized traders which are still subject to the headline rents and are therefore disincentivised from ever placing metal on-warrant. A respondent also commented that previous attempts to reduce headline rent rates to attract additional stock on-warrant had yielded very little response from the market

Finally, and separately from the question, an assertion was raised around the appropriateness of the LME centrally determining the headline rent rate. On this topic, one respondent suggested there may be a conflict of interest for the LME on the subject of headline rents due to the percentage income the LME receives from headline rents being applied. If the LME were to make this contribution a fixed charge on the warehouse rather than being tied to stock levels this would be, in the respondent's view, more suitable.

The LME believes that respondents have raised valid concerns and understands that headline rent rates have the potential to influence a wide variety of users. The LME respects the view of those respondents who believe that a significant reduction in headline charges could encourage more metal to flow onto warrant. However, as shown by the variety of responses received, any substantial lowering of headline rent is likely to have many unforeseen consequences for several market participants; it is the LME's view that such risks are not yet merited. Furthermore, it is not clear to the LME that, even with a material reduction in headline LME warehouse charges, that it would be ever be feasible for the LME warehousing network to compete with off warrant storage, purely on the basis of cost (even before issues of stock transparency are considered). The LME therefore proposes to freeze headline rents for a further five years which would, at a minimum, prevent the

delta between headline rates and “real” storage rates widening, albeit accepting that it would not be likely to materially reduce that delta. This proposal is considered in more detail in the Consultation.

3.6 DQ6. Free on Truck (“FoT”) rates

Do you agree that FoT rates should be subject to reduction, or should they be considered out of scope?

Arguments for and against an FoT rate reduction and whether or not its inclusion should be in the scope of the LME’s warehouse reform were comparable to the viewpoints expressed in question five. Respondents could broadly be placed into two categories: those who believed that rates should be reduced and those who believed rates should not be considered within the LME scope of warehouse reform (and in some cases, in the LME’s remit at all).

For those that held that rates should be reduced, a key component of their argument centred on the contention that LME FoT rates are significantly higher than “commercial” FoT rates. This group of respondents argued that warehouse operators frequently charge the maximum (or close to the maximum) rate allowed, which more often than not does not reflect the true cost of the warehousing services being provided. Many in this group contended that it is fairer for the warehouse company to charge a more accurate rate for the service they perform, so they are not incentivised to deliberately create inefficiency in loading metal out. Additionally, this is also fairer, they assert, to the consumer who then is not required to pay what they see as a “tax” for attracting metal into LME storage.

In respect of the view that FoT rates should not be in scope due to the impact this would have on the related forward agreements based on this FoT rate, this group of respondents argued there could be operational and contractual constructs that could solve this issue. One of the approaches suggested was that an FoT reduction could be phased in over a number of years to avoid disruption to long term contracts with embedded FoT assumptions. Similarly, another respondent argued that FoT charges could be reduced as of the date that the new rule comes in to effect, with metal warranted prior to that date being chargeable at the old rate and subsequent metal added under the new lower rate.

A much larger group of respondents were against any LME FoT rate change – or considered it inappropriate for the LME to include FoT rates in scope – and they provided a variety of rationales for this. An answer given by many respondents was that the high LME FoT rate functions as a proxy for the LME warranting incentives paid by warehouses to metal owners. Reducing the FoT would only reduce incentive levels paid by warehouses and reduce the metal inflow into the LME warehouse network. These respondents also argued that any reduction in FoT would negatively affect these established business models and would serve to negatively impact conventional users of the LME. Additionally, one respondent challenged the assumption that the high FoT rates were not reflective of the warehousing service provided. They emphasised the structural costs in running an LME warehouse (risk management, security, complexity of multiple parties involved in a trade) and asserted that these justified the high rates.

As with rents, in light of the arguments above and the LME’s own analysis, the LME is proposing to freeze FoT rates for a further five years. For further information on the LME’s FoT proposal, please refer to the Consultation.

3.7 DQ7. Electronic Certificates of Analysis (“CoAs”)

Do you support the mandating of electronic CoAs (“ECoAs”)? If so, over what time period do you believe that such a change could feasibly be required?

Several respondents, from all market segments, championed ECoAs and declared the current paper system as archaic and inefficient. The LME found numerous respondents upheld the viewpoint that ECoAs would improve the efficiency and traceability of material. One respondent argued that the current system potentially discourages efficient movement of material within the LME and thus supported the move. Another noted that mandating ECoAs would improve the ability to warrant material, as in their opinion, the current model leads to significant delays due to waiting time duration for CoAs being provided where warrants are cancelled.

Considering the applicability and implementation, one warehouse promoted the idea and noted that most CoAs they receive are already electronic (in PDF). However, this respondent also expressed concerns around formatting and standardisation, calling out that when ECoAs are received from market participants other than the primary source (the producer), many do not have the original text data thus restricting accurate searches. The quality of the ECoA is generally degraded due to the original CoA being printed, scanned or faxed, one or many times before. Instead, they recommended that a single, LME-hosted ECoA database for all LME material is implemented, which would help to avoid such issues. Several respondents mentioned the ECoA form and that standardisation is needed, with some suggesting that the LME work with producers in order to agree a format and corresponding timeframes.

On the other hand, two respondents disagreed with the mandating of ECoAs. The first highlighted that doing so would lead to a large burden for producers of LME registered brands, as it may be technically impossible for homogeneous documents to be produced without a large amount of investment. Moreover, the participant noted that mandating ECoAs could create a “two tier market” where participants may favour taking delivery of new ECoA warrants compared to those with paper CoAs. The other respondent felt that modernisation should be market-led and not mandated by regulation.

Finally, in respect of the time period for implementation, the market responses received were diverse, with some suggesting three years and others suggesting as short as 6 months. As mentioned above, others reiterated a desire for the LME to work with producers to agree such timeframes.

The LME recognises and agrees with the broad industry support that the introduction of some form of ECoA would be of significant benefit. However, it also notes that there remains some considerable discrepancy over what form those ECoAs should take, or much functionality it should provide and as such, does not believe that it has the mandate to move forward at time. As a result, this is not included in the Consultation. However, the LME does believe that it now has a role to play in working with the market to assess demand more accurately, agree a scope for such a service and map out a route forward that is feasible across a broad spectrum of participants. The LME is committed to achieving this end and further updates will be provided in due course.

3.8 DQ8. Load-out definition

Do you support allowing warehouses to discharge metal not in accordance with the definition of load-out, provided that minimum quantities of qualifying “load-out” have been achieved? In any event do you believe that the definition of load-out should be clarified to reflect a definite position on this issue?

The cluster of respondents supporting clarification to the definition of load-out noted that further explanation would help make clear the current LME position and reduce the present perceived ambiguity. A number of these respondents further expressed the view that the LME should take steps to ensure conformity with the LME Policy on the Approval and Operation of Warehouses (i.e. the clarified definition of load-out). Considering the question from a different perspective, one respondent suggested that clarification should be based on “scheduled load-out”. This is where metal scheduled for delivery to consumers has queueing priority over warrants which have simply been cancelled, in practice providing priority to warrants which are both cancelled and scheduled.

Taking the contrary position, a small group of respondents supported the proposition to allow discharge of metal to any destination (i.e. not per the LME requirements for load-out) on the basis that minimum quantities of qualifying load-out had already been achieved. An opinion also shared by these respondents was the view that warehouses should be able to choose to load-out additional cargo for clients should they wish. However, it was argued that changing the rules would make discovering the length of LME queues less transparent and could create market distortion that would render the warehousing system more inefficient, due to warehouses having the ability to decide the rate of discharge regardless of the load-out rules.

Other respondents indicated that the definition of load-out did not require clarity as the existing definition was sufficient for their own understanding. However, these respondents did express the view that if there are various interpretations or definitional discrepancies by other participants then there is merit in clarification by the LME.

To date, the LME has maintained that the current definition of load-out requires that all warranted metal should be loaded-out in accordance with its requirements and should not be interpreted as allowing market participants to freely discharge on warrant metal in accordance with its preferences and those of the metal owners. However, the LME is amenable to a clarification of this point in the drafting of the rules, to avoid any scope for doubt. This clarification should reflect the position that warehouses should not discharge metal in a way that is not in accordance with the load-out requirements. The LME will proceed on this basis and propose clarification to ensure consistent interpretation and mitigation of market ambiguities in the Consultation.

3.9 DQ9 & DQ10. FoT currency denomination and LME clarification

Do you support the denomination of FoT charges in USD? And as an alternative, do you support clarification by the LME that FoT charges can be paid in USD by agreement of the warehouse operator and the metal owner?

Those supporting denomination in USD generally stated that book-keeping would be more straightforward as a result of standardisation. One respondent argued that the current model is inconsistent due to the fact that rents are charged in USD whereas FoT is charged in local currency. Another respondent supported the move as standardisation in USD would allow them to hedge currency and thus no longer run the risk of exchange fluctuations. Some respondents, despite



supporting the denomination change for convenience reasons, pointed out that it may not be practical or advisable when considering the interests of local operations, which have their cost base denominated in local currencies.

Many market participants, on the other hand, did not agree with denomination of FoT charges in USD. One respondent noted that the possibility of charging FoT rates in local currency protected warehouse companies from currency fluctuations. Other respondents felt that FoT rates should reflect the cost of the local service performed and thus favoured the status quo. Several proponents additionally emphasised that FoT should be payable in either USD or local currency by mutual agreement. As such one advocate believed that both parties should be able to agree the currency and conversion rate, whereas another respondent took a similar stance but suggested that warehouses should be obliged to accept both USD and local currency. This respondent therefore proposed that respective exchange rates should be dictated by the exchange rate at 1300 GMT on cancellation.

Several respondents on both sides supported clarification by the LME that FoT charges can be paid in USD by agreement of the warehouse operator and the metal owner. Many participants viewed this position as a middle ground and several acknowledged this as a practical approach. At the same time, many respondents with a neutral stance on the question noted their stance as “indifferent” with regards to whether the LME should provide clarification. However, one respondent raised a concern in respect of the exchange rate used by some warehouses, noting the huge variance between these and the market rate. They argued that some warehouses use the FX as a profit centre, with others calling for the LME to publish the exchange rates on a daily basis in order to avoid this situation.

The LME agrees with the broad market consensus that a practical route forward would be for the LME to clarify that FoT rates are allowed to be paid in local currency or in any other currency that the parties agree (including USD), provided that both the warehouse company and metal owner agree a conversion rate. This is included in the Consultation as a result.

3.10 DQ11. Eligible stock reporting

Do you support the principle of eligible stock reporting? If so, do you believe that it can be properly reflected in a rule which precludes avoidance, and meaningful data thus generated?

Increased market transparency was identified as the key theme underpinning the answers of those who supported the proposal, whereas respondents who objected mainly focused on the argument that confidentiality of stock is an integral principle for many market participants.

Several respondents that associated market transparency with the principle of eligible stock reporting recognised the myriad ways through which it may be possible to circumvent similar reporting rules on other exchanges. These respondents supported the idea of a new reporting rule, commenting that it would add a further barrier for those participants bypassing transparency guidelines or involved in “opaque stock building.” One respondent also argued that, on balance, they would support greater transparency and suggested that warehouses should report a separate “prepared for warranting” category on a periodic basis. Another respondent went further, suggesting that the LME should publish data on the build-up of all associated metal (cancelled but not yet scheduled metal, cancelled and scheduled metal, metal held on warrant, and metal that was eligible to be delivered on warrant), thereby allowing market participants to combine and analyse for themselves. Regarding the question of whether meaningful data would be generated, several respondents agreed with the notion, commenting that such information would be extremely useful in understanding the metals market.



On the other hand, several respondents argued against eligible stock reporting, noting that such information should remain confidential (should the metal owner wish) and that further reporting could jeopardise the warehousing and logistics business. They argued that the reason many users store their metal off warrant is to ensure it is not included in reports. Additionally, several respondents argued that LME stock would further be impacted, as metal owners would be disincentivised to hold stock on warrant. Furthermore, some respondents argued that this requirement would be very challenging operationally from a warehousing perspective and would only increase the burden for warehouse operators as a result of a reform package that was supposed to simplify the LME warehousing rules and not add complexity.

The LME recognises the complexity of this issue and agrees that finding a reporting structure that results in meaningful and reliable data represents a considerable challenge, especially in light of the preferences of the portion of the market who do not wish to provide greater transparency. However, the LME does not believe that these challenges represent a sufficiently compelling reason not to try to provide the market with such transparency, given the benefits this could bring – not least for the purposes of market orderliness. As such, the LME is putting forward a model for off warrant stock reporting for its physical market network for consideration as part of the Consultation.

3.11 DQ12. Scheduling load-out

Do you agree that the ability to cancel warrants, but not then schedule load-out from the warehouse, is an important feature for the market?

Responses received were grouped into two main classes: (i) respondents (the majority) that viewed the model as an important feature of the market and (ii) respondents that held the contrary view and broadly believed this feature led to market misrepresentation.

Market participants supporting the principle believed it to be an important feature of the market and asserted that this type of activity often took place. These respondents broadly took the view that the optionality to hold metal as ready for delivery but not scheduled is key for the operation of many market participants as it allowed traders important flexibility. Several respondents expressed that a load-out delay is useful where a warrant has been cancelled in anticipation of future sales (for example, where sales are pending confirmation). Obtaining and “locking-in” preferential rent rates were also highlighted as legitimate reasons for engaging in such activity. Another respondent argued that the prerogative to load out should remain with the metal owners so they can schedule a shipment when they choose, and it is not for warehouses, nor the LME, to dictate scheduling.

In contrast, those that argued against the cancel and not schedule ability believed this behaviour could incentivise market users to manipulate the market or to engage in other types of misconduct as such activity could be used to distort the warehousing system. These respondents noted that cancellations, along with queues, are reported and from this data market participants are able to ascertain the quantity of metal scheduled for shipment and make decisions on that basis. If this metal in fact does not get used for shipment and stays in the “cancelled” status then the data reported is undermined. One respondent proposed an alternative rule where metal owners should be required to schedule load out within 15 business days of warrant cancellation.

The LME accepts the argument that being able to have metal cancelled but not scheduled for load-out remains an important feature of its market, providing flexibility, amongst other benefits, for market participants. Although it remains concerned about the potential for abuse, as outlined in the

discussion paper, the LME does not believe that these concerns are sufficient to take further action at this time. As such, the LME proposes to leave this functionality as it currently operates.

3.12 DQ13. Stock reporting

Would you support a change to the stocks report as set out in this proposal (either aggregation, or three separate categories), or do you prefer to maintain the current report format?

The majority of respondents supported a change to stock reporting into three categories, namely (i) live, (ii) cancelled but not scheduled-out, and (iii) scheduled-out.

Those who supported the changes to stock reporting to include the three separate categories advocated that reforms would help develop market transparency. One respondent noted that three categories would allow participants to better understand the actual status of the current cancelled statistics and what the likely intention was for the metal. Another member noted that transparency would make clearer when warehouse queues would likely form and would help warehouse operators be held accountable when such queues emerge. Other respondents also generally supported expanding reporting to three separate categories. However, they suggested that “cancelled but not scheduled” should be additionally split into: (i) cancelled but not scheduled, less than 1 week since cancellation, and (ii) cancelled but not scheduled, greater than 1 week since cancellation. The LME also received the view that aggregation would not be possible as the LME Lending Rules are based on the number of live warrants and thus, it is important that this category is kept segregated in daily reporting. One respondent supported the proposal as they believed the approach would maintain the integrity of the current report whilst providing additional and valuable information on physical demand.

Other respondents disagreed with stock reporting changes, with one arguing that the current level of detail in reporting is adequate, and that further granularity in practice would not contribute meaningful data. Another respondent argued that changing reporting would not resolve the transparency issues highlighted in the discussion paper, and instead suggested that these issues are a result of trading strategies rather than inadequate reporting.

The LME agrees with those respondents that supported further granularity on the basis of the benefits that it could provide in respect of transparency. There are some implementation issues regarding this proposal, and the LME’s full analysis of such, as well as proposed next steps, is included in the Consultation.

3.13 DQ14. Copper batch references

Do you support the rule on marking producer batch references on copper? If so, do you support the delay of the implementation of this rule? Do you have any alternative suggestions for addressing this issue?

Respondents supporting the proposal agreed that marking the batch reference on the top cathode of each copper bundle would be a positive step towards traceability. Several respondents within the group also supported delaying implementation due to the potential risk that copper produced prior to implementation, without the reference, may become ineligible for warranting. One respondent, although supporting marking, suggested that such a rule should only be introduced for new copper production to ensure other deliverable copper can still be warranted on the LME. The LME noted



suggestions to delay implementation ranging from three to five years, with one supportive respondent requesting that further industry discussions take place in order to agree how best to implement the proposal.

Respondents who disagreed with the idea of introducing copper batch numbers echoed the view that implementation could lead to an inability to re-warrant older, unmarked material and thus this could be disruptive to the market. Several producers argued that implementation would result in additional production costs which would not be proportionate considering that a large quantity of copper is delivered direct to consumer and not to exchange warehouses. One producer noted that the addition of batch numbers would not necessarily improve traceability as information is already included on labels with all necessary tracking information. A further respondent suggested that warehouse companies should instead maintain better traceability of material with due handling care and keep custody of original shipping documents.

The LME does believe that in the longer term, the producer batch reference should be marked on copper directly, rather than on a label. The LME acknowledges the feedback of respondents and concerns raised by both supporters and proponents to potential impact of inability to re-warrant older metal and the disruption this could cause. This topic does not form part of the Consultation and the LME will communicate this feedback back to the LME Copper Committee, where this idea arose, for further development.

3.14 DQ15. Additional comments

Are there any other matters which you wish the LME to consider in the context of this Discussion Paper?

There were a number of further ideas and comments put forward for consideration by the LME by a variety of respondents in regards to any further potential warehouse reform. These comments varied greatly. Common themes included: the expansion of the LME warehouse network to further jurisdictions (with Mainland China the most common jurisdiction suggested), the simplification of LME warehousing rules and processes, and the implementation of a daily tonnage rate that increased with warehouse capacity.

The LME was encouraged by a number of respondents to consider exploring possibilities of developing a warehousing network in Mainland China. These respondents argued that a warehouse location in that jurisdiction would increase the transparency for a large quantity of metal inventory that is crucial to the world metals market, yet not easily deliverable into the LME warehousing network. A Mainland Chinese location, it was argued, would also improve the convenience of spot circulation, thus reducing the manipulation of inventory.

Many respondents also strongly advocated greater simplification in many areas linked to LME warehousing. Simplification of rules and warehousing operations, it was asserted by respondents, would promote competition and efficiency. Additionally, it was argued that simplification and clarity of fee structures and policies may result in more streamlined processes, reduced delays and ultimately less disputes and conflicts amongst stakeholders.

Furthermore, some respondents answered that they believe it would be beneficial for the LME to consider implementing minimum daily delivery tonnage requirements which would be in proportion to the tonnage stored at that warehouse. As further explanation, one respondent outlined that they would still think the minimum delivery tonnage requirement of 2,000 tonnes for a 150k-300k tonnage



**Discussion paper on LME warehouse reform:
Feedback analysis**

capacity warehouse would be needed, but there was also a desire for a linear step increase to this requirement as the warehouse capacity increases. It was argued that this would have a positive impact on reducing load-out delays.

The LME is greatly appreciative of those respondents that have raised additional matters. The LME acknowledge both the arguments and other suggestions put forward in the responses to question 15. Responses will be considered by the relevant teams internally and communicated to the market in due course. Specifically, the question of simplification is further explored in the Consultation.

4 CONCLUSION

The LME remains very thankful to all its market participants who reviewed and responded to the discussion paper. Further, the Exchange hopes that the above analysis appropriately does justice to the time and effort that respondents have taken in providing the feedback and sharing the benefit of their expertise with the LME. The LME looks forward to engaging further with all its market stakeholders in respect of the Consultation, and will be open to meeting on that topic in due course.

LME consultation on warehouse reform

July 2019



SETTING THE GLOBAL STANDARD



Table of Contents

1.	EXECUTIVE SUMMARY	3
2.	THE CONSULTATION PROCESS	4
	2.1. Responding to the Consultation	4
	2.2. Elements of the Consultation	4
	2.3. Defined terms	4
	2.4. The consultation process, timing and steps following consultation	4
	2.5. The LME's financial interest	5
3.	BACKGROUND AND RATIONALE	6
	3.1. Discussion paper process	6
	3.2. Underpinnings of the LME warehousing model	6
	3.3. Structure of the Consultation package	10
4.	LOGISTICAL OPTIMISATION	12
	4.1. Evergreen rent deals [CP1]	12
	4.2. Headline rents and Free on Truck ("FoT") rates [CP2]	13
	4.3. Definition of "load-out" [CP3]	13
	4.4. Clarification of FoT charges denomination [CP4]	14
	4.5. Door wording amendment [CP5]	14
	4.6. Stock reporting clarification [CP6]	14
	4.7. Probation period for new LME Delivery Points [CP7]	14
	4.8. LME discretion on approving new Delivery Points [CP8]	15
	4.9. Review period [CP9]	15
	4.10. Specific ban on sharing queue information [CP10]	15
5.	TRANSPARENCY AND COMPLIANCE	16
	5.1. Eligible stock reporting [CP11]	16
	5.2. Daily stock reporting amendment [CP12]	17
	5.3. Sanctions [CP13]	17
	5.4. LME insolvency powers [CP14]	18
	5.5. Complaints Procedure [CP15]	18
	5.6. Applicable law for warrants [CP16]	18
6.	REBALANCED RULES AND A PATHWAY TO SIMPLIFICATION	19
	6.1. QBRC Rule parameters [CP17]	20
	6.2. LILO clarifications [CP18]	21
	6.3. AOW Policy housekeeping changes [CP19]	21
7.	CONCLUSION	23
8.	APPENDICES	24
9.	INDEX OF CONSULTATION PROPOSALS	25

1. EXECUTIVE SUMMARY

On 29 March 2019, the London Metal Exchange (“LME”) released a discussion paper (the “discussion paper”), outlining a number of proposals put forward by both the LME Warehousing Committee, and the LME itself, in respect of possible reforms to its global physical network. These reforms were designed to ensure that the LME network represents best practice for physical market infrastructure storage and logistics.

On the basis of the feedback received to the discussion paper, and the LME’s own analysis, the LME is now launching a formal, market-wide consultation (“Warehouse Reform Consultation” or “Consultation”) on those items in the discussion paper which it believes represent positive progress for the LME warehouse network. Further, the LME is also consulting on a number of other proposals which were not included in the discussion paper, but on which the LME believes further action is appropriate. The LME believes that these broadly fall into three main categories, and as such, this Consultation paper comprises the following sections:

- (i) Logistical optimisation
- (ii) Transparency and compliance
- (iii) Rebalanced rules and a pathway to simplification

The paper outlines the core features of the LME’s warehouse reform proposals, as well as information on how to contact the LME in respect of the Consultation, and how to submit a formal response.

This Consultation only focuses on those items from the discussion paper on warehouse reform which the LME is proposing to progress at this point in time. A full discussion of the items not contained in this Consultation, and the rationale for why the LME is not currently considering them for implementation, is included in a separate report (“the discussion paper feedback analysis”) released via Notice 19/237 (“2019 LME consultation on warehouse reform”).

2. THE CONSULTATION PROCESS

2.1. Responding to the Consultation

The LME welcomes feedback to this Warehouse Reform Consultation from all market participants and other interested parties, including regulatory and governmental bodies.

The Consultation will be open until 12 September 2019. During the period of the Consultation, the LME will, subject to reasonable logistical constraints, be available for meetings to discuss the subject matter of the Consultation. Any market participant seeking clarification in relation to such is asked to contact Hugo Brodie at consultation@lme.com or +44 20 7113 8766.

Formal responses to the Consultation should be submitted in writing and sent to the LME at consultation@lme.com (or to the LME's postal address).

2.2. Elements of the Consultation

The LME seeks the views of the interested parties set out above on:

- (i) Amendments to the LME Policy on the Approval and Operation of Warehouses (the “AOW Policy”);
- (ii) Amendments to the LME Policy on the Approval of Locations as Delivery Points (the “LDP Policy”);
- (iii) Amendments to the LME Warehouse Agreement (the “Warehouse Agreement”); and
- (iv) Amendments to the LME Complaints Procedure (the “Complaints Procedure”).

The LME's proposed revisions to these documents are set out in the appendices; each document is attached in both a redline version which shows the proposed changes, and a clean version incorporating those changes.

This paper, together with its Appendices A-H, constitutes this Consultation.

For the avoidance of doubt, this Consultation paper is intended to provide the background and rationale to the LME proposals, but respondents to the Consultation should pay particular attention to the language of the proposed rule changes.

The LME welcomes feedback on all of these elements. For clarity, each sub-section below is organised by “Consultation Proposal” (“CP”). Although the LME will accept responses submitted in any format, for ease of analysis it would appreciate respondents referring to the relevant CP number when responding.

An index of the location of each CP number in the relevant documents is provided in Section 9 below.

2.3. Defined terms

Terms defined in the Rules and Regulations of the LME (the “Rulebook”) shall have the same meaning in this Consultation paper, unless stated otherwise.

2.4. The consultation process, timing and steps following consultation

Responses made after the closing date of the Consultation will not be taken into consideration. The LME will take account of all responses received by the closing date. The LME may need to share responses received with regulatory authorities, members of its group, and its legal or other

professional advisers, or as required by law. Anonymised responses (verbatim or paraphrased) may be included in the Notice(s) stating the outcome of this Consultation. Apart from this, all responses received will be treated in confidence.

Following due consideration, the LME may implement:

- (i) in respect of each Consultation Proposal, a modified version of the Consultation Proposal, an alternative to the Consultation Proposal, or
- (ii) no measure in respect of the Consultation Proposal;
- (iii) any other measure(s); or
- (iv) no measures.

Following the Consultation, the LME will advise the market, via one or more Notices.

2.5. The LME's financial interest

As the market is aware, pursuant to the LME stock levy, the LME receives 1.1% of the rent charged by LME-licensed warehouses on LME-warranted metal (including metal waiting in queues). This rate has not increased since 2002, and the LME's decision-making process, and its conduct of the Consultation, is in no way influenced by the existence of the stock levy. The LME's focus on ensuring that prices can be effectively discovered on the LME is essential in order for the LME to ensure that the market functions in an orderly manner in accordance with its regulatory obligations. It is also important to the LME's value as an ongoing business. These two factors far outweigh any financial return which could accrue as a result of the stock levy on rents in any economic circumstance (or any linked economic effects, such as greater trading volumes arising from higher stocks).

3. BACKGROUND AND RATIONALE

3.1. Discussion paper process

As outlined in Section 1, in March 2019 the LME released the discussion paper on a number of proposals put forward by both the LME Warehousing Committee, and the LME itself, in respect of possible reforms to its global physical network. These reforms were designed to ensure that the LME network represents best-practice for physical market infrastructure storage and logistics.

The LME would like to thank the 46 market participants who provided written feedback to the discussion paper, as well as those who provided their thoughts through meetings and calls. The Exchange very much appreciates the time and effort taken by all those who contributed.

The LME has taken all the feedback into careful consideration, and has today published a report on this feedback in its discussion paper feedback analysis. Alongside the feedback analysis, the report outlines the LME's thinking in respect of the issues raised by respondents regarding the proposals, explains which proposals it is progressing to consultation and those which it is not, and provides a rationale for both. For those proposals not progressing to consultation, the LME explains any relevant next steps where appropriate.

In reviewing the feedback from the discussion paper, the LME has remained conscious of the fact that its physical network operates for the benefit of a broad spectrum of industry stakeholders. In order to continue to provide that service, the LME (and its warehouse operators) must ensure that all physical market participants along the value chain are able to access the network effectively, and receive a service that is efficient, transparent and regulatory compliant.

That said, the corollary of providing such a service to such a broad stakeholder and user group is the difficulty in forming a significant consensus of opinion on the right steps forward, or indeed, on the core purpose of the LME physical network itself. Certainly, as the feedback to the discussion paper feedback analysis indicates, there are very few areas where the market is fully in consensus. Further, the LME also accepts that alongside the divergence of market opinion, the needs of the market, the requirements of regulators, and myriad other considerations will evolve, and therefore the physical network needs to evolve with them.

It is in this context that the LME's discussion paper on warehouse reform set out a number of possible reforms. These were designed to both ensure the ongoing attractiveness and effectiveness of the LME warehouse network, and also ensure that the network adapts to meet these evolving needs. Following extensive market feedback and engagement on these proposals, this Consultation provides more detail on those which the LME believes will have a material positive impact on its network as a whole.

3.2. Underpinnings of the LME warehousing model

A key element of the discussion paper, with which respondents were encouraged to interact, related to the underlying case for the LME's warehousing network. Following the analysis of such feedback, combined with the Exchange's own analysis, this section sets out the LME's current assessment of this topic.

It remains the position of the LME that the core function of the warehousing network is to facilitate physical delivery of contracts on the Exchange – and, in this regard, the required levels of stock in the warehouse are relatively low. In particular, the LME notes that – even though market

commentary has focused on low stock levels in recent months, particularly in relation to certain metals – it has always been possible to effect delivery on the LME. Indeed, the nature of the LME's market means that low warranted stock levels may result in backwardations, the effect of which is to attract metal onto warrant. In this sense, and in respect of the narrow function of the delivery function of the warehousing network, the warehousing model continues to operate effectively.

However, the LME also recognises that its warehousing network fulfils a broader set of functions than simply the facilitation of delivery against contracts. It is generally accepted amongst market participants that it is desirable for the LME warehousing network to maintain a stock level greater than that required simply for the purposes of delivery. Such higher levels of stock are broadly viewed as having three positive market effects:

- **Provision of a “buffer” against spread tightness**, meaning that it is not necessary for markets to flex into backwardation simply due to a technical shortage of warrants (although backwardations would still be expected when the underlying physical market – i.e. LME warrant and off-warrant metal – demonstrated supply tightness)
- **Market-wide transparency**, providing a more holistic view of stocks of LME metals, as opposed to the more limited assessment currently available from the subset of stocks held on LME warrant
- **A vibrant LME warehousing network**, respecting the role of LME-listed warehouse operators as partners in the LME's ecosystem, and service providers facilitating effective settlement across the LME's physically delivered contract suite

It should, however, be noted that these three drivers suffer from a “tragedy of the commons” risk. The provision of a spread tightness buffer, market-wide transparency and a vibrant warehousing network represents a shared resource which is beneficial for all market participants. However, no single market participant is sufficiently incentivised to contribute to this shared resource. Particularly given the greater cost of LME warranting, the rational economic step for market participants may be to store their own metal off-warrant (hence achieving a lower cost and consequent individual economic benefit), while simultaneously calling for all other metal owners to use LME warranting. In the case of transparency, this problem is even more pronounced – the optimal trading strategy will often be to “hide” one's own metal stocks from the market, while using the knowledge of others' metal levels and locations to trade.

While acknowledging that it may never be possible to fully overcome these challenges, the LME does therefore accept that it should be an aim of its warehousing policy to incentivise a level of stock beyond the core requirement of physical delivery. However, there then arises a second question, namely how this should be achieved. There would seem, in general, to be three methods to achieve this:

- (i) **Increasing the difficulty of stock withdrawal (an approach which is generally unacceptable to the broader market)**. Given the individual economic incentives set out above, a metal owner taking possession of LME warrants may have a strong incentive to cancel the warrants and relocate the metal to private store, thus reducing LME stock levels. Periods when LME stocks have been highest have often been those when the withdrawal of metal was most difficult – in particular, during the period when queues were prevalent. However, there exists general market agreement that the lengthy structural queues which emerged following the global financial crisis of 2008-09 resulted in significant operational and reputational damage to the LME, and this is therefore not an approach which the LME will contemplate

- (ii) **Enhancing the logistical attractiveness of the network.** A number of market participants believe that the core weakness of the LME network is its (in their view) lower logistical attractiveness, compared to off-warrant storage. Particular factors quoted are the relatively high rent and FoT charges compared to off-warrant storage, but also the potential for the emergence of load-out queues. Those espousing this argument suggest that, were these issues to be addressed, the propensity to warrant metal would be increased, and the propensity to remove metal from warrant would be decreased, with the overall result that warranted stocks would increase.

At the heart of this argument is a realisation that the warehousing network has evolved significantly over recent years, and the historical need for LME warranting (driven often by the requirements of financing banks and insurers) have been diminished by the rise of so-called “shadow LME warehousing”, being an off-warrant metal storage service offered by warehouses, combining the benefits of private store (in particular, significantly lower charges compared to LME warranting, and no requirement to report stocks) with the advantages of LME warranting (in particular, a commitment that metal can be placed on-warrant within a certain time period if needed for Exchange delivery). For the LME to continue to be able to attract stock, according to this argument, it needs to ensure that it remains best practice in respect of logistical efficacy

- (iii) **Increasing the financial incentive to place metal on-warrant.** An opposing view is that a large amount of metal is only placed on warrant because an incentive is paid by the warehouse operators to the metal owner. The incentive must be paid from the profits made by the warehouse operator during the lifetime of the metal. Consequently, funding a sufficiently competitive incentive requires higher rates of rent and FoT to be chargeable by the warehouse. It also requires a less restrictive set of rules in respect of queues (since a warehouse’s financial assessment of the profitability of the storage of an LME warrant will be decremented by any potential obligations resulting from the formation of a queue, such as the need to provide expedited load-out under LIFO, or discounted rent under QBRC). Accordingly, those espousing this argument would suggest that the LME’s ruleset be liberalised (including allowing the charging of higher levels of rent and FoT), allowing higher incentives and consequently greater flows of metal onto warrant

If (i) is ruled-out, then the question resolves effectively to a debate between views (ii) and (iii). To a significant extent, these approaches are not compatible – approach (ii), for example, would necessitate a significant reduction in the maximum charge levels which warehouses could levy, while approach (iii) would look to maintain (or even increase) current maximum charge levels. This is not to say that only one theory is correct – it may well be the case that the LME’s network current exhibits a sub-optimal balance between logistical and financial drivers, and a definitive move in either direction would result in an increase in stocks. But, it is clearly not feasible for the LME to reform in both directions at once – if reform is to be effected, then one direction must be chosen.

In making this assessment, the LME has adopted a risk-based assessment of the situation. It stands to reason that reform in either direction (ii) or direction (iii) will make those who support that direction more likely to use LME warranting (but only providing that the degree of reform was sufficient to overcome their current reticence to hold metal on-warrant), while those who support the opposite direction may be less likely to use LME warranting. In this regard:

- **Pursuing route (ii)** – i.e. prioritising the logistical aspects of the network – would clearly reduce the degree of warranting undertaken by metal owners seeking an incentive payment, given that

the requisite rules (particularly around reductions in maximum rent and FoT levels) would also reduce the financial incentives which could be paid by warehouses to those warranting metal. At the same time, it is unclear to the LME whether sufficiently meaningful logistical reforms could be made even to offset this loss. For example, the Exchange understands that rent levels in the off-warrant market are significantly lower than those typically charged for warranted metal. It seems unlikely that the LME could effect (or warehouses would accept) a reduction in LME maximum rent and FoT levels down to the levels of the off-warrant market (if only because the costs of LME storage are higher for warehouses, given LME stock levy and reporting requirements) – meaning that, although the quantum by which LME warehousing is more expensive would reduce, there would still be a differential. And, given the success of the “shadow LME storage” model of replicating the benefits of LME warranting, it is unclear that metal owners would be prepared to pay even a reduced upcharge to avail themselves of on-Exchange storage.

This problem becomes even more acute when considering the topic of stock reporting. Because some metal owners actively eschew transparency in respect of their own stocks, it is possible that – even if LME charges were reduced to the same levels as those of the off-warrant market – metal owners would still choose to use private storage in order to avoid disclosing the existence of their stocks. Although it may be possible to reduce this effect by providing greater transparency over non-warranted stocks (as articulated further below), it seems probable that a material element of metals storage business may never be capable of being attracted to warranted storage.

As such, although the LME does not claim that route (ii) is unviable, the risk associated with a flawed implementation of route (ii) would appear to outweigh the potential benefits. This is not to say, however, that logistical improvements are impossible – the Exchange has identified a number of areas (for example, in respect of the structuring of “evergreen” incentives) where it believes that logistical improvement is indeed possible, and which are hence included in this Consultation

- **Pursuing route (iii)** – i.e. providing scope for a greater financial incentive for the warranting of metal, does seem, to the LME, to be more obviously capable of increasing on-warrant stocks, given the direct economic link between higher incentives and metal owners’ propensity to warrant.

In this scenario, the risk is primarily around the consequences of rule relaxation. The most restrictive rule, according to the warehouses which have made representations to the Exchange, is QBRC. However, QBRC is also important in mitigating the consequences of operational queues for consumers in terms of reducing the rent which they can be charged in the queue. Accordingly, any rule changes should be proportionate, and introduced in such a manner that their effect can be gauged, any negative consequences identified, and reform ceased if such consequences are material.

An equally significant consideration is the risk that the ability of warehouses to pay increased incentives could disrupt the balance of the physical market, if such incentives increased above the physical market premium, and hence warehouses came into competition with consumers for the sourcing of metal. Again, the Exchange believes it will be important to ensure that the parameters of any rule change are calibrated so as to avoid such an outcome

Accordingly, the general approach of the LME proposed in this Consultation is to combine the most effective elements of route (ii), i.e. logistical reform where this will be of market-wide benefit, and route (iii), i.e. the recasting and rebalancing of rules, where this can incentivise more metal on-warrant without exerting negative market consequences.

A final observation in respect of the philosophy of the LME network is in respect of simplicity. The LME has always accepted that the model of its warehouse network is complex, and the addition of the LILO and QBRC rules to address the issue of queues further added to the intellectual overhead. It is therefore unsurprising that many market participants have called for simplification of the rules.

However, this valid desire for simplicity must be tempered by a realisation that the current rules, while complex, have broadly addressed the issue of structural queues, and have protected the market over the past few years. The LME does not believe (and no stakeholder has identified) a route by which the current set of protections can be maintained in a simpler set of rules – that is to say, simplification would necessarily result in a change to the protections enjoyed by the market.

Furthermore, it should be noted that many parties calling for simplification also intend that such simplification would achieve specific policy changes. The Exchange believes that it would be inadvisable and intellectually dishonest for such changes to be effected under the guise of simplification. Rather, the aims of policy change and rule simplification should be disaggregated, with the current ruleset modified to achieve desired policy aims within a well-understood framework, and a final simplification step then effected once the impact of such policy changes had been fully understood.

3.3. Structure of the Consultation package

On the basis of the above analysis, the LME has determined which proposals to advance to this Consultation.

Not all of these proposals have emerged through the discussion paper process. Alongside some of the strategic ideas which have been progressed from the discussion paper, this Consultation also includes logistical proposals on technical issues relating to the LME's requirements for its listed-warehouses, as discussed with the LME Warehousing Committee. It also contains proposals designed to enhance the LME's powers to protect its network – and users of such – from concerns around sanctions and warehouse insolvencies. Further, the LME is also proposing changes to its Complaints Procedure.

Together, the LME believes that these proposals, which have developed through conversations with the LME market (including the LME Warehousing Committee, the LME's own analysis, and formal feedback to the discussion paper), reflect a package of measures which would enhance the LME physical network across three core areas:

- (i) **Logistical optimisation** – insofar as they do not threaten the ability of the warehouse network to attract metal onto warrant, a set of logistical changes which are intended to make the LME network easier to use for the metals industry, and metals consumers in particular. This includes restrictions on so-called “evergreen rent deals”, an extension of the current freeze on maximum levels of rent and FoT, operational proposals progressed from the discussion paper, as well as logistical proposals on technical issues relating to the LME's requirements for its listed-warehouses, as discussed with the LME Warehousing Committee

- (ii) **Transparency and compliance** – the LME believes that its warehouse network, and indeed its broader market, must reflect best-practice in respect of transparency and compliance, for the benefit of the entire metals industry. It is, therefore, advancing proposals to increase the transparency of global metals stocks, to provide more information around the status of cancelled stocks in warehouses, to enhance the Exchange's powers to protect users from warehouse insolvencies, to address issues relating to financial crime, and to provide an enhanced complaints procedure
- (iii) **Rebalanced rules and a pathway to simplification** – a recognition that the LME's rules to address queues – and in particular, QBRC and LILO – have now been in place for several years, and should be reassessed to ensure that they provide a fair balance between the protection of consumers, and facilitation of LME warranting (for the benefit of the market as a whole, as well as the business models of LME-listed warehouses). Any changes must respect the needs of the physical market, and importantly not make LME warehouses a competing bidder for metal. Such changes should also be made progressively, with the impact fully assessed. Additionally, the endpoint of such evolution should be a significantly simplified set of rules

As such, this paper is divided into three sections to reflect these categories. The LME has reflected all the proposed changes in the relevant policies and other documents, and these are attached in the appendix in both redline and clean versions to provide clarity to the market as to how these measures would operate – and be governed – in practice.

4. LOGISTICAL OPTIMISATION

The discussion paper on warehouse reform put forward a number of logistical and operational proposals, designed to facilitate the use of the LME physical network for both warehouse operators and users of the network. Those which the LME believes would add material value, and as such, with which the LME is progressing to consultation, are outlined below. In addition to these proposals, the LME is also consulting on a number of technical issues which have emerged from the LME's discussions with its listed warehouse companies in the LME Warehousing Committee, and on which the LME is now seeking feedback from a broader range of market stakeholders.

4.1. Evergreen rent deals [CP1]

Of these logistical proposals, the issue which has prompted the broadest range of opinions is the debate surround the use of evergreen rent deals, also known as lifetime rent deals or (in line with the LME's proposal) "post-sale economic incentive arrangements". The terms of this debate were outlined in the discussion paper so will not be re-examined here. However, following a review of all the feedback received on this topic, and the LME's own analysis, the LME is proposing to place certain restrictions around the use of such deals.

For the purposes of the LME rules, and as more fully set out in clause 9.3.8 of the LME Warehouse Agreement attached to this report at Appendices E and F, a post-sale economic arrangement refers to any agreement between a warehouse company and a metal owner which confers on that metal owner the right to some formulaic share of economics (calculated as revenues or some other measure) received by the warehouse company in respect of metal underlying an LME Warrant, for a period of time as agreed between those two parties, or until that metal is loaded-out of the warehouse by a subsequent owner.

While the current formulation of the LME Warehouse Agreement does not restrict the duration of such arrangements, the LME is now proposing that from 1 February 2020¹, a warehouse may only enter into such an agreement with the party placing metal onto LME warrant. By definition, therefore, this will prohibit such arrangement being made with a metal owner who has purchased metal in an already-warranted state. For the avoidance of doubt, this includes a party taking receipt of warrants in settlement of an LME contract. In the view of the LME, this will continue to allow the incentivisation of metal owners bringing fresh stock to the LME network, while protecting the system from the incidence of parties purchasing LME warrants purely in order to extract a post-sale economic incentive arrangement.

However, in recognition of the fact that many post-sale economic arrangements are already in existence, the LME is proposing that this new rule will not apply to such deals entered into before 1 February 2020.

As outlined above, a post-sale economic arrangement may last until the metal is loaded-out of a warehouse, or until some earlier point agreed by the parties. However, the LME is also reserving the right (to be communicated to the market by Notice, with a minimum of 30 days' notice) to require that all such deals made after a future specified date, be terminable upon one of two events (with the relevant event specified in the Notice):

- (i) Cancellation of the warrant by a subsequent metal owner

¹ NB: All dates relating to implementation are indicative only. The LME reserves the right to amend these as necessary and appropriate

- (ii) Notification by a subsequent metal owner that it wishes the warehouse company in question to terminate the post-sale economic arrangement

Pursuant to the LME's confidentiality requirements on its warehouse companies, warehouses may not provide confidential information to parties with whom they have a post-sale economic arrangement. In particular, warehouse companies may not disclose the identity of any subsequent metal owner to someone with whom they have a post-sale economic arrangement.

For the avoidance of doubt, this proposal is not intended to prevent a subsequent metal owner from negotiating to obtain a level of rent and / or FoT below the published rent rates in respect of that metal, provided that such discounts apply only during the period that they continue to own those warrants. To the extent that metal subject to such negotiations is also subject to a post-sale economic arrangement with an earlier owner, the warehouse company may confer with the counterparty to the post-sale economic arrangement (subject to the confidentiality provisions above) to determine whether that counterparty would be willing to modify the terms of the rent deal in order to facilitate the new metal owner's request for discounted charges.

The proposal also makes it clear that warehouses must not agree any post-sale economic arrangement in respect of any warrants or metal that: (i) contemplates, or has the effect, that a later metal owner is prevented from withdrawing the metal from the warehouse, or from making alternative arrangements for the storage of the metal; or (ii) has a distortive, manipulative or disorderly effect on the market. The LME has a power to direct a warehouse to terminate a post-sale economic arrangement that it considers to have such effect.

4.2. Headline rents and Free on Truck ("FoT") rates [CP2]

LME headline rents and FoT rates are set by warehouse companies annually, at or below the maximum rates as mandated by the LME. In 2016, the LME announced (in Notice 16/320 : A314 : W098 "Decision notice on amendments to the LME Warehouse Agreement in respect of charge-capping") that, alongside setting caps on those rates ("Charge-Capping"), it would also impose a five year freeze on those caps.

The current headline rent freeze is scheduled to end for the 2022-23 charge year. The LME is now proposing to extend this freeze for a further five years, to end for the 2027-28 charge year, as set out in clause 5.3.3 of the LME Warehouse Agreement attached to this report at Appendices E and F. While the LME accepts that this will not materially reduce the current delta between LME headline rates and both off-warrant and bilaterally negotiated LME storage rates, it will, however, ensure that this delta does not widen further (and may reduce, given the impact of inflation), at least for the duration of the extended freeze period.

4.3. Definition of "load-out" [CP3]

The LME is not proposing a change to its current definition of load-out, as currently contained in the General Definitions section of the AOW Policy, which indicates that all load-out from LME-registered sheds must meet the LME's load-out requirements.

However, the LME does recognise the concern expressed by a section of its market users that the existing wording of paragraph C.9 of the AOW Policy could give rise to an alternative interpretation; specially, that it could be read to indicate the LME load-out requirements only apply to the load-out through which a warehouse operator completes their daily minimum load-out requirement. As such, and in the interests of both transparency and clarity, the LME is proposing to clarify the relevant

paragraph in the AOW Policy, now contained at paragraph C.7 of that Policy (see Appendices A and B), to state that the LME requirements apply to all movements of metal out from LME-listed warehouses, including but not limited to load-outs through which a warehouse operator completes their daily minimum load-out requirement.

4.4. Clarification of FoT charges denomination [CP4]

Clause 5.2.3 of the LME Warehouse Agreement states that FoT rates should be quoted in the local currency denomination of the listed warehouse. While the LME is not proposing to amend this requirement, it does recognise that it is also common practice for a warehouse operator and metal owner to agree a charge in US dollars as an alternative. The LME does not believe that this represents an issue and is proposing to clarify that it is possible to pay FoT in US dollars or any other currency, subject to the agreement of both parties (including agreement on the applicable exchange rate), as set out in clause 5.2.4 of the LME Warehouse Agreement (see Appendices E and F).

Equally, it is worth noting that although the LME's current understanding is that the market preference is for the quotation to be in local currencies, it continues to be open to market views on this topic.

4.5. Door wording amendment [CP5]

The AOW Policy currently requires a minimum of two doors per Authorised Warehouse (that is, a shed operated by an LME-listed warehouse operator in a specific good delivery location), and a scaling door requirement based on space. The LME is proposing to amend this requirement to, in its discretion, allow a shed to be listed where it has fewer doors than the minimum space-based requirement for that warehouse. For example, the LME may choose to do so if it believes that this will not impair the efficiency of operations at that warehouse shed. If it does not exercise this discretion, the LME Physical Operations team will still require two doors (or a greater number based on the space-related formula) for the ongoing operators on that shed as LME-registered warehouse. This amendment is set out in paragraph C.1 of the AOW Policy.

4.6. Stock reporting clarification [CP6]

The LME is proposing to amend clause 6.3.1 (now 6.3.2) and to delete the former clause 6.3.2 of the LME Warehouse Agreement to clarify that stock report submissions from LME-listed warehouse companies to the LME can only be completed through LMEsword, as prescribed by the LMEsword Regulations and Operating Procedures. This is consistent with existing practice, so is a conforming change to ensure that the Warehouse Agreement is up-to-date.

4.7. Probation period for new LME Delivery Points [CP7]

The LME's LDP Policy sets out the LME's requirements for a location to become an LME Delivery Point (also known as a good delivery location). Broadly, upon completion of an application, the LME Physical Operations team will review the location to ensure that it meets the relevant requirements, and that application will also be reviewed by the LME's metals committees, Warehousing Committee and Executive Committee. Should the application be successful, the LME will issue a public notice confirming that warehouse companies may submit applications for warehouses to be listed within the location.

Until such time as a warehouse company has successfully applied to operate in the location, the location itself is effectively "inactive" (or a "zombie location") as no metal owner would be able to deliver metal for warranting. As such, the LME is proposing to introduce a rule which prescribes that in the event that no warehouse applications are received after a six month period, the invitation to list

will be rescinded and the applicant location will be required to submit a new application should they wish to re-qualify. At its own discretion the LME may extend this period if it is aware that an application is in process, or for other reasons at the LME's reasonable discretion. This requirement is set out in paragraph C.2 of the LME LDP Policy.

4.8. LME discretion on approving new Delivery Points [CP8]

As outlined in Section 4.7, the LME runs a rigorous process for the approval of new good delivery locations. However, the current provisions as delineated in the LDP Policy do not afford the LME any discretion over the approval of such locations. Rather, should a location meet all of the stated requirements, the LME is obliged to approve that location as a Delivery Point. The LME is proposing, therefore – and as set out in paragraph A.3 of the LDP Policy (see Appendices C and D) – to address this issue by granting itself the ability to refuse an application should it believe that the location in question has the potential to cause an adverse reputational impact to the LME, its group affiliates, and / or users of its physical network.

4.9. Review period [CP9]

The LME's LDP and AOW Policies both currently require the LME to review them on at least a biennial basis. The LME is proposing to change this to "from time to time" (see the LDP Policy paragraph E, and the AOW Policy paragraph H) on the basis that the LME may wish to review the Policies more or less often than biennially depending on the circumstances (e.g. to react to market feedback).

4.10. Specific ban on sharing queue information [CP10]

Recent cancellation activity has raised concerns in the market about the possibility of merchants and / or physical holders of metal working in concert with warehouse companies to use queues to maximise financial returns, possibly at the expense of other market participants. As such, the LME is proposing to clarify that this would constitute a breach of the LME Warehouse Agreement, by introducing wording at clause 6.3.3 of that Agreement, which explicitly prohibits the sharing of queue information except in some specific circumstances, also listed under clause 6.3.3.

5. TRANSPARENCY AND COMPLIANCE

In the interests of ensuring that the LME physical network (and its broader market) continues to reflect best-practice in respect of transparency and compliance, the LME believes that it must remain aware of the evolving requirements of its market, and equally, the evolving demands from market users and regulators, and be prepared to action change if necessary. To this end, this section sets out proposals to increase the transparency of global metals stocks, to enhance the Exchange's powers to protect users from warehouse insolvencies, and issues relating to financial crime and enhanced complaints procedures.

5.1. Eligible stock reporting [CP11]

The possibility for greater transparency of stock reporting provoked some of the most divergent thinking in the discussion paper responses. Whilst a number of respondents were against the measure, arguing that metal owners have a right to maintain confidentiality over metal stored off-warrant, others argued that the rationale for this behaviour was driven not by a need for confidentiality, but rather by a preference to use this information for market gain.

While the LME understands both arguments, it believes that its priorities must remain market orderliness and efficient operations. To that end, the LME considers that the market benefits of increased transparency of such stock outweigh the potential negatives. Further, the LME is also aware – as outlined in the discussion paper – that much of the metal stored off warrant in “shadow LME storage” leverages the LME's standards and requirements for warehousing, without contributing to the market as a whole.

Equally, however, the LME is conscious that current versions of such rules both potentially disadvantage registered warehouses over non-registered warehouses, as well as leaving open a number of potential avoidance routes, so as to undermine the value of any subsequent reporting. For this reason, the LME will not progress with the “eligible stock” reporting model (whereby metal stored in an LME-registered shed must be reported as “eligible”, whether warranted or not), since this (i) may represent an over-reach into metal which may never enter the LME system, (ii) represents a competitive disadvantage for those warehouse operators who do register their sheds, and (iii) can be easily circumvented by storing metal just outside the warehouse.

Instead, the LME is proposing to introduce a regime which reflects the fact that many metal owners choose off-warrant storage, but with the comfort that metal can be warranted if ever required. In the view of the LME, such metal owners are benefitting from the option of LME warranting, and the trade-off for this option should be a willingness to contribute to off-warrant stock reporting.

For the purposes of the proposed rule, off-warrant stock will need to be reported to the LME by warehouse operators (but with no need to identify the underlying metal owner) where one or more of the following criteria apply:

- (i) The warehouse's storage agreement with the customer specifies that the metal must be held in an LME-registered shed (this requirement includes metal which would not be eligible for warranting, including metals not covered by an LME contract, but is required by the metal owner to be stored in an LME-registered shed); and / or
- (ii) The warehouse's storage agreement with the customer specifies that the metal can be LME-warranted on request by the metal owner i.e. the warehouse provides a guarantee of warrantability at some point in the future to the metal owner (this includes metal not currently stored in an LME Delivery Point); and / or

- (iii) The metal owner has voluntarily requested that the warehouse disclose the stock to the LME. The LME strongly encourages metal owners to opt-in to the voluntary disclosure system. However, the LME may in future consider changing the economic terms for metal owners to warrant metal, depending on whether the metal for warranting had been subject to off-warrant transparency at the earliest possible opportunity

Warehouse companies will be required to report monthly tonnage of such stock to the LME by metal and location. In turn, and having assessed the usefulness and representativeness of the data set, the LME may choose to publish data, on an anonymised basis and aggregated across all warehouse operators in one location. The full details of this requirement are including in clause 6.3 of the LME Warehouse Agreement attached to this report at Appendices E and F.

The LME believes that this proposal is both fair and proportionate, as it focuses on those tonnages where the LME is specifically named in a commercial contract, and/or where there appears to be an intention that LME services may be consumed (namely, the LME warranting of the metal). “True” off-warrant storage, where the metal owner never intends to warrant the metal, would not be captured. Furthermore, it does not disincentivise warehouses to become LME-listed, because metal held in “true” off-warrant storage would never need to be reported, regardless of whether the warehouse were LME-listed.

While the LME acknowledges that such a regime will take time to bed in and produce truly meaningful market-wide transparency, it believes that this is an appropriate and helpful first step towards this goal.

5.2. Daily stock reporting amendment [CP12]

The LME intends to change to its daily stock report to implement a new classification of metal held within each warehouse. Existing reporting includes a “live” (metal on-warrant) status, as well as a “cancelled” status. Cancelled metal, currently, can refer to metal that has been cancelled and is scheduled (or in the process of being scheduled) for load-out, as well as metal which has been cancelled, but where the metal owner has no immediate plans to take delivery. Under the new proposal, the “cancelled” classification would refer only to metal that was cancelled but not scheduled for load-out, while a new classification – “scheduled” – would refer to metal that had been cancelled and was scheduled (or in the process of being scheduled) for load-out. This would provide a clearer indication to the market about the real level of available stocks on warrant.

However, in order for this change to take effect, various LME systems – in particular, LMEsword – will require extensive upgrading and testing. As such, the LME is proposing to give itself the right to implement these changes by Notice in the future, at a point at which it is able to undertake the necessary system upgrades to facilitate the amended reporting. This is set out in clause 6.3.5 of the LME Warehouse Agreement attached at Appendices E and F.

5.3. Sanctions [CP13]

The LME is proposing to set out specifically the obligation on its listed warehouse operators to comply with sanctions, such as may arise from time to time in relevant jurisdictions for their operations, providing that such sanctions are not in conflict with the LME Warehouse Agreement or other policies or procedures. This requires a minor amendment to clause 7.5.1 of the LME Warehouse Agreement, attached at Appendices E and F.

5.4. LME insolvency powers [CP14]

The LME's warehousing model is intended, as far as possible, to insulate metal owners from the effects of a potential insolvency of a warehouse. In order to enhance these protections, the LME has proposed changes to clause 1.2 of the Warehouse Agreement, together with the introduction of new clauses 9.4 and 9.14 (see Appendices E and F). The changes include giving the LME powers to require cash, performance bonds or other assurances from warehouses in certain circumstances – such amounts could then be used, *inter alia*, to help resolve any difficulties with returning metal to its rightful owners.

The proposal also requires warehouses to provide more visibility over their financial situation to the LME, although the LME is cognisant that such forward projections are liable to change at short notice depending on, amongst other factors, market conditions. As a result, while the LME will expect warehouses to provide such information on an accurate (at time of reporting) and timely basis, the LME would not propose to give itself the power to penalise warehouses should these projections change between reporting periods.

5.5. Complaints Procedure [CP15]

The LME is proposing to make a number of changes to its Complaints Procedure (see Appendices G and H), when a complaint is made to the LME against a third party (for example, a warehouse operator or member). The changes include amending the scope of the Complaints Procedure (for instance, to help ensure that complaints are not dealt with by the LME where a more suitable forum for resolving a dispute between two parties exists), and allowing the LME to levy a fee for complaints against third parties where appropriate, to reflect the costs that the LME incurs when investigating a complaint. The provisions have been drafted to ensure that complainants will have certainty as to the cost of the LME investigating a complaint, and to provide a mechanism whereby the LME can recommend that a successful complainant's costs are refunded by the party at fault.

The Complaints Procedure has also been amended so that it now covers complaints in relation to benchmarks administered by the LME under the European Benchmarks Regulation ("EBR"). EBR (which comes into force on 1 January 2020) requires the LME to provide a complaints handling policy including procedures for dealing with complaints about its benchmark calculation process.

For the avoidance of doubt, complaints against the LME will continue to be addressed in broadly the same way as at present, and will not be subject to a fee.

5.6. Applicable law for warrants [CP16]

The LME is proposing to amend the Warehouse Agreement at clause 2.3.2 (see Appendices E and F) to give the LME a general power to prescribe that warrants should be governed by the laws of a particular jurisdiction (e.g. English law). This general power would enable the LME to issue notices from time to time, specifying that the laws of a certain jurisdiction apply to warrants within a certain jurisdiction. This may be necessary to maintain the validity and efficacy of warrants under local law in those jurisdictions.

6. REBALANCED RULES AND A PATHWAY TO SIMPLIFICATION

As set out further above, the LME does consider it appropriate to consider a rebalancing of the parameters of its most significant warehousing rules – in particular, LILO and QBRC – given the length of time since their introduction. In so doing, the Exchange aims to enhance the ability of warehouses to attract metal on warrant, but without unduly harming the protections available to consumers, or creating a scenario in which warehouses compete for metal with the physical market. Furthermore, from a more a methodological perspective, the LME would only effect such change by means of a structured and staggered introduction, allowing the effects to be clearly understood and assessed.

However, more broadly, when considering the LME's ruleset – and, in particular, LILO and QBRC – it is worth noting that the discussions of the Warehousing Committee (which originally gave rise to the discussion paper) commenced with a desire for simplification. As set out earlier, the LME acknowledges the complexity of its rules, and hence concurs with this aim, provided that appropriate market protections can be maintained.

The underlying proposal for simplification is a move away from both QBRC and LILO, to a proportionate load-out approach, whereby a warehouse would have to load out, on any given business day, a specific percentage of its stock. This would mathematically have the effect of ensuring that, even in the worst queue-based scenario where every warrant had been cancelled, a metal owner's maximum wait time (even if at the back of the queue) would be capped.

The Exchange considered the concept of such a model during the 2013 warehouse reform process. However, at that time, the very large tonnages held by certain warehouses would have made such a rule logistically impractical. However, given the reduction in stocks over the intervening years, the LME does now agree that such an approach may be of value.

However, the core challenge in implementing such a model is (as with the parameters of the current QBRC rule in particular) in setting a percentage rate which provides adequate protection for users of the market, while ensuring that warehouses are able to bring metal onto warrant. Broadly, the worst-case wait which a metal owner may experience can be found by taking the reciprocal of the load-out percentage; for example, a 2% daily load-out (as is applied elsewhere in the exchange industry) would result in a 50 business day worst-case wait time, corresponding to a c.70 calendar day worst-case wait time. This contrasts with the current QBRC protections which come into effect after 30 days, and fully after 50 days. However, in making this comparison, it should be noted that QBRC does not compel timely load-out – rather, it simply provides rent protection in the event of queues. Timely load-out is effected in the current rule-set by LILO, but the precise wait time is a more complex analysis based on load-in; the simpler analysis permitted by a daily load-out rate is one of the clear benefits of such an approach.

However, the fact remains that, even at a 2% load-out, the worst-case wait time for metal users could be longer than the point at which relief would currently be available under QBRC – and, based on the indicative views of LME warehouse operators, it appeared that they would look for a lower daily load-out percentage (indicatively, 1.5%), which would further accentuate this effect. This, combined with some specific unresolved logistical questions around non-dominant metals and other edge effects, resulted in the LME not including such a simplification approach in the discussion paper. While the LME notes that warehouse operators were open to a preservation of metal owner protections via a mechanism whereby QBRC could be re-introduced by the LME if required, the Exchange considers

this to be an unworkable solution, given the need to provide clarity to the market in advance as to the circumstances in which such reintroduction would be effected (with no viable such model having been advanced).

Accordingly, the LME continues to believe that it would not be appropriate to progress any such rule change at the present time, given that the simplification would be accompanied by a material change as to the protections available to consumers. However, the LME would also note that, following the introduction of the changes proposed in the Consultation (and, in particular, to the QBRC Rule parameters), the degree of change represented by a percentage load-out approach would be materially reduced, and the Exchange would hence be minded to consider such a modification.

6.1. QBRC Rule parameters [CP17]

In view of the analysis set out in Section 3.2, and the LME's concerns about an immediate move to a simplified load-out related ruleset as outlined above, in the immediate term the LME is proposing to amend the current rules for QBRC to (i) remove the phased element of rent reduction (currently a 50% drop in rent obligations after 30 days), and (ii) extend the QBRC threshold to 80 days. This means that a metal owner, having completed all the necessary formalities to permit load-out, scheduled the load-out and waiting in a queue for their metal, would be obliged to pay for the first 80 days while in that queue.

The LME is conscious that a number of market participants remain sceptical about the possible negative impact of these changes, and the extension to 80 days in particular, and as such, is proposing to implement the change on the following phased basis:

- (i) Notification date: LME provides 90 days' notice of QBRC change implementation date
- (ii) Implementation date: QBRC rent obligations terminate at 50 days
- (iii) Implementation date + 3 months: QBRC rule rent obligations terminate at 60 days
- (iv) Implementation date + 6 months: QBRC rule rent obligations terminate at 70 days
- (v) Implementation date + 9 months: QBRC rule rent obligations terminate at 80 days

In this way, it would take a full year from the LME's notification to the market for the full impact of the proposal to take effect. Such an approach would allow both the LME and its market to assess the impact of the rule change as it progresses. Should market behaviour indicate that the proposal is causing disruption, the LME reserves the right to stop the phased implementation. Furthermore, the 80 day threshold has been chosen with the intention that this would not allow warehouse incentive payments to rise to a level where they compete with physical metals premia; again, the staged nature of the introduction above should facilitate observation of the effectiveness of this approach.

The LME is aware that a phased implementation of these changes could potentially create an incentive for metal owners to behave in a way calculated to maximise QBRC potential around the time of changes to the QBRC threshold. The applicable threshold would be determined by reference to the date of completion of the formalities necessary to permit load-out of metal in respect of a given request for load-out (as per the definition of Cancellation – see paragraph G.4 and Section I of the AOW Policy). The LME would monitor cancellation behaviour carefully during the phased implementation of the proposed changes to QBRC and reserves its right to disapply QBRC if the LME, acting reasonably in its sole discretion, considers it appropriate to do so, in accordance with paragraph G.7 of the AOW Policy.

Finally, the LME is also proposing to apply the QBRC Rule anti-abuse provisions to all requests for load-out of metal, not solely those of 10,000 tonnes or more, to prevent market behaviour which

utilises the current 10,000 tonnes threshold in order to maximise the QBRC Rule to achieve outcomes for which it was not originally intended.

These proposals are set out in full in paragraph G of the AOW Policy attached at Appendices A and B, and for the avoidance of doubt, the other rules which currently govern the application of QBRC would continue to apply.

6.2. LILO clarifications [CP18]

The LILO-related proposals in this Consultation emerged from concerns around the operation of the LILO Rule and whether it offers the appropriate protections for market users – and in particular, warehouse operators – from other market participants who might look to leverage the rule to achieve outcomes for which it was not originally intended. As such, the LME is proposing three core changes to the LILO Rule itself.

Firstly, the LME is proposing to introduce new provisions to prevent metal owners from benefitting from their own cancellations, by allowing warehouses to request LME permission to disregard additional load-out requests submitted by metal owners who originally caused the warehouse operator to become LILO-affected. If the LME, in its sole discretion, grants such a request, the warehouse company would still be required to meet the additional load-out obliged by the application of the LILO Rule, but would be able to offer the associated additional load-out slots to other metal owners caught in the queue. This is set out in full in paragraph E.5 of the AOW Policy, attached at Appendices A and B.

Secondly, the LME is proposing an amendment to LILO to address the concern that a warehouse operator does not know at which point it will become an Affected Warehouse if they do not have a queue, and then are impacted by a large cancellation request during the course of a Calculation Period.

To address this, the LME is consulting on an amendment to the existing LILO Rule paragraph which provides that, in respect of calculation periods commencing on or after 1 February 2020, the calculation of a warehouse's cumulative load-in and cumulative normal minimum load-out would only start on the day during the relevant calculation period on which the warehouse became an Affected Warehouse (defined as the Relevant Calculation Date). As such, the LILO requirement would only be calculated in respect of load-in that occurs after the warehouse becomes aware that it is an Affected Warehouse during the relevant calculation period. This is set out in full in paragraph E.4 of the AOW Policy, attached at Appendices A and B.

Thirdly, the LME is consulting on the introduction of a rule to specify that if a queue falls below 30 days at a particular location during a discharge period, the relevant warehouse company would no longer be required to schedule additional load-out slots pursuant to the LILO Rule during that Discharge Period. It must, however, continue to fulfil all scheduled load-out slots, as outlined in paragraph E.5 of the AOW Policy, attached at Appendices A and B.

6.3. AOW Policy housekeeping changes [CP19]

In addition to the reforms outlined above, the LME is also proposing to undertake a number of housekeeping updates to the AOW Policy, including:

- (i) Clarifying the obligations on warehouses in respect of the minimum daily load-out tonnage and related obligations (i.e. the Additional Daily Metal requirement and daily minimum load-out quantities for specified metals) in Section C;

- (ii) Removing references to steel and roasted molybdenum concentrate (“RMC”);
- (iii) Making references to delivery and load-out consistent, by making them all load-out;
- (iv) Clarifying the grounds on which the LME will exercise its discretion under C6 to disapply the LILO Rule;
- (v) Clarifying obligations on warehouses in relation to processing requests for load-out of metal, including the requirement that warehouses must schedule load-out to commence no later than the same time on the second business day after the completion of Formalities (as defined in the Policy);
- (vi) Clarifying the meaning of Queue, in particular in relation to when a Queue arises and how it is measured;
- (vii) Updating the worked examples in sections relating to the LILO Rule and QBRC; and
- (viii) Ensuring all defined terms are cross referred in the General Definitions section of the Policy.

7. CONCLUSION

The LME is committed to ensure that its warehouse network represents best practice in operational efficiency and as a market of last resort, and believes that the proposals defined above represent a fair and practical route forward to ensure that its physical network continues to evolve to meet emerging challenges. The LME would like to thank all its stakeholders and other market participants who have contributed towards the LME's process in defining its proposals thus far, in particular its Warehousing Committee, and looks forward to receiving further views in respect of this Consultation.

8. APPENDICES

Appendix A:	LME Policy on the Approval and Operation of Warehouses – redline
Appendix B:	LME Policy on the Approval and Operation of Warehouses – clean
Appendix C:	LME Policy on the Approval of Locations as Delivery Points – redline
Appendix D:	LME Policy on the Approval of Locations as Delivery Points – clean
Appendix E:	LME Warehouse Agreement – redline
Appendix F:	LME Warehouse Agreement – clean
Appendix G:	LME Complaints Procedure – redline
Appendix H:	LME Complaints Procedure – clean

9. INDEX OF CONSULTATION PROPOSALS

Consultation Proposal	Location
CP1	LME Warehouse Agreement, clause 9.3.8
CP2	LME Warehouse Agreement, clause 5.3.3
CP3	AOW Policy, paragraph C.7
CP4	LME Warehouse Agreement, clause 5.2.4
CP5	AOW Policy, paragraph C.1
CP6	LME Warehouse Agreement, clause 6.3.2
CP7	LDP Policy, paragraph C.2
CP8	LDP Policy, paragraph A.3
CP9	AOW Policy, paragraph H; LDP Policy, paragraph E
CP10	LME Warehouse Agreement, clause 6.3.3
CP11	LME Warehouse Agreement, clause 6.3
CP12	LME Warehouse Agreement, clause 6.3.5
CP13	LME Warehouse Agreement, clause 7.5.1
CP14	LME Warehouse Agreement, clauses 1.2, 9.4 and 9.14
CP15	Complaints Procedure
CP16	LME Warehouse Agreement, clause 2.3.2
CP17	AOW Policy, paragraph G
CP18	AOW Policy, paragraph E
CP19	AOW Policy, paragraphs C, E, G, I

**LME POLICY ON THE APPROVAL AND OPERATION OF WAREHOUSES,
REVISED [1 MARCH 2016 FEBRUARY 2020]**

A) Warehouses

1. Applicants to be a Warehouse will be considered for approval and listing in an existing or new Delivery Point subject to completion of a Warehouse Agreement application form supported by evidence of insurance, capital adequacy and other documents as detailed by the LME from time to time. The LME will inspect premises and operations offered for warehousing to the LME prior to any listing to ensure they suit the logistical nature of the Location as required by the LME. The LME will state its needs in this respect when sending the applicant the application form. The LME has discretion to accept or decline an application for approval to be a Warehouse or attach specific conditions to approval to be a Warehouse.
2. A Warehouse shall have staff with sufficient experience in metal storage, logistics and systems to ensure that the Warehouse is able to comply with all applicable requirements on an ongoing basis. The LME may, in its reasonable discretion, reject an application from an applicant which is unable to demonstrate compliance with this requirement.
3. Applicants for approval shall be required to demonstrate that they do not:
 - (a) control the operation of any infrastructure or the provision of any service in the Location / Delivery Point that would be critical to any other Warehouse, or any company wishing to become a Warehouse, in the Location / Delivery Point concerned (including, without limitation, terminal operators which may operate all or most of the berths within a port; a logistics company providing all or most of the logistics services in the port (haulage and warehouse operations); or a company that owns all or most of the real estate/warehouses of the Location); or
 - (b) otherwise exercise control in the Location / Delivery Point;such that the LME would have a reasonable concern that the applicant's operation of a Warehouse could be detrimental to competition.
4. A Warehouse must comply at all times without limitation with: this policy and any other notices or policies issued by the LME, from time to time which apply to Warehouses; and the Warehouse Agreement (together the "Warehouse Requirements").



B) Transportation

Transport links

1. All Authorised Warehouses must have adequate transport links and be situated in close proximity to major highways.
2. With the exception of inland Delivery Points, all Authorised Warehouses must have adequate transport links and be situated in close proximity to water loading facilities.
3. All Authorised Warehouses located in Germany, Belgium, Netherlands, Sweden and the US must have adequate transport links and be situated in close proximity to railheads.
4. All Authorised Warehouses in inland Delivery Points must be directly connected to a rail network.

The LME, respecting such confidentiality as it deems necessary and appropriate, will undertake its own enquiries, as it sees fit, from its members/trade entities etc. to evaluate any applications prior to submission to EXCOM for consideration.

C) Common standards of working practices and facilities for Warehouses

1. For each 2500 sq. metres of space ~~(not including open storage compounds for steel)~~ there ~~must~~should be access by means of an operational door for vehicle loading/unloading, with a minimum of 2 doors per Authorised Warehouse. The LME may, in its discretion, allow a fewer number of operational doors and/or a wider area to be accessed by such operational doors.
2. ~~The minimum daily delivery tonnage must be~~A Warehouse must schedule load-outs, and take all reasonable steps to load out metal, in accordance with the minimum daily load-out tonnage tables below. ~~Where the delivery requests exceed~~However, where the total metal scheduled to be loaded out from a Warehouse for a single metal owner exceeds the minimum daily ~~delivery~~load-out tonnage for the capacity ~~on~~in the table below, the ~~LME will regard the standard as applying over the number of days necessary to complete the deliveries, as per the~~Warehouse will not be required to meet the minimum daily load-out tonnage each day so long as it meets the aggregate minimum daily load-out tonnage over the relevant period calculated in accordance with the table (e.g. if the requests for the ~~delivery~~load-out of 2000 tonnes apply to a DP Warehouse's capacity of 2500 sq. metres, the ~~standard would be to deliver in 3 days~~Warehouse is required to complete the load out within the 3 day period specified in the table, with no reference to the ~~performance~~tonnage loaded out on any one of those days). ~~The LME would, however, expect the DP Warehouse to act reasonably when allocating the tonnage delivered out in each of those days.~~



For a DP Warehouse storing up to (but not including) 150,000 tonnes of metal, the following table is applicable.

DP Warehouse's authorised space in sq. metres (excluding steel storage facilities)	Minimum daily delivery <u>load-out</u> tonnage for all metals (excluding cobalt, RMC and steel)
<u>0 sq.m to 2,500 sq.m</u>	800 tonnes
<u>2,501 sq.m to 5,000 sq.m</u>	1,200 tonnes
<u>5,001 sq.m to 7,500 sq.m</u>	1,500 tonnes

~~The above table applies to all DP Warehouses who are storing up to 150,000 tonnes of metal. For DP Warehouses who are~~For a DP Warehouse storing 150,000 tonnes and above, the following table is applicable.

DP Warehouse's tonnage stored (excluding steel)	Minimum daily delivery <u>load-out</u> tonnage for all metals (excluding cobalt, RMC and steel)
150,000 tonnes to 299,999 tonnes	2,000 tonnes
300,000 tonnes to 599,999 tonnes	2,500 tonnes
600,000 tonnes to 899,999 tonnes	3,500 tonnes
900,000 tonnes and over	4,000 tonnes

NB: The minimum daily ~~delivery~~load-out tonnage is for ~~deliveries-out~~load-out only and does not include ~~deliveries-in~~load-in.

3. ~~Where~~When a DP Warehouse's tonnage stored increases beyond any of the 150,000, 300,000, 600,000 or 900,000 tonnes thresholds, the applicable revised minimum daily ~~delivery~~load-out tonnage shall have effect from the date which is 30 days from the date on which the threshold is passed. This will allow the Warehouse to implement the necessary scheduling changes in order to meet the increased minimum daily ~~delivery~~load-out tonnage. However, ~~where~~when a DP Warehouse's tonnage stored falls beneath any of the 150,000, 300,000, 600,000 or 900,000 tonnes thresholds, a Warehouse will still be required to ~~deliver~~load out all outstanding ~~deliveries~~load-outs scheduled on or prior to the date on which the tonnage falls beneath such threshold on the basis of that schedule.
4. In addition to the minimum daily ~~rates~~load-out tonnage stipulated ~~above~~in paragraphs C2 and below C5, where a DP Warehouse ~~who~~ satisfies the following conditions:
 - (a) the DP Warehouse has total scheduled ~~delivery-out~~[†]load-out commitments of 30,000 tonnes or more; and
 - (b) a minimum of 30,000 tonnes of those scheduled commitments are for one metal (being the first metal scheduled to be ~~delivered~~loaded out that day) (the "Daily Dominant Metal");

[†] ~~For the purposes of this policy, the terms "delivery out" and "load-out" are used interchangeably.~~

the Warehouse shall be required to deliverload out in that Delivery Point a minimum aggregate amount of 500 tonnes per day of a metalone or more metal(s) other than the Daily Dominant Metal (the "Additional Daily Metal"), provided that such deliveriesload-outs are requested. For the avoidance of doubt, a Warehouse must load out the Additional Daily Metal in the order in which such metal is requested for load-out.

5. In ~~addition to the daily delivery out rates referred to in this policy, the~~respect of each DP Warehouse, a Warehouse is required to ~~load-out~~load out a minimum ~~quantities of certain metals in any particular Delivery Point, so as to meet~~daily quantity of the following ~~requirements:~~metals (subject to there being sufficient requests for such metals).

~~(a) Tin: DP Warehouses delivering out the minimum rates stipulated elsewhere in this policy will be required to deliver out an additional daily total of 60 tonnes of tin, which may include the normal course scheduling of metal in the Queue (including the non-dominant metal load-out requirements, but not including any additional requirements under the LIFO Rule).~~

a) Tin: 60 tonnes

~~(b) Nickel: DP Warehouses delivering out the minimum rates stipulated elsewhere in this policy will be required to deliver out an additional daily total of 60 tonnes of nickel, which may include the normal course scheduling of metal in the Queue (including the non-dominant metal load-out requirements, but not including any additional requirements under the LIFO Rule).~~

b) Nickel: 60 tonnes

c) (c) Metal warranted pursuant to the LME's specifications for the aluminium alloy contract and the North American Special Aluminium Alloy Contract ("NASAAC") (together "Aluminium Alloys"): DP Warehouses licensed to warrant Aluminium Alloys delivering out500 tonnes

d) Cobalt: 60 tonnes

A Warehouse may satisfy the minimum rates stipulated in this policy will be required to deliver out an additional daily total of 500 tonnes of daily quantities of Tin, Nickel, Aluminium Alloys, which may include and Cobalt in this paragraph as part of the normal course scheduling of metal in the Queue (including the non-dominant metal minimum daily load-out tonnage at paragraph C2 and Additional Daily Metal load-out requirements at paragraph C4, but not including any additional requirementsrequirement under the LIFO Rule). For the avoidance of doubt, where a Warehouse has not, as part of its normal course scheduling of metal, satisfied the minimum daily quantities of Tin, Nickel, Aluminium Alloys and Cobalt under this paragraph, the Warehouse must (where requests for such metal have been made) also load out an additional amount of Tin, Nickel,

Aluminium Alloys and/or Cobalt to meet the minimum load-out quantities required by this paragraph.

~~For the avoidance of doubt, the extra metal to be delivered out under this paragraph would only be required to be delivered out if the DP Warehouse had reached its minimum daily load-out rate without delivering out 60 tonnes of tin, 60 tonnes of nickel, and 500 tonnes of Aluminium Alloys, as part of these deliveries.~~


- ~~6. The daily delivery out rate does not include deliveries out for cobalt and RMC. Any deliveries out for either of these metals must be in addition to the rates stipulated in the above table.~~
- ~~7. The daily delivery out rate does not include deliveries out for steel billet. For each Delivery Point in which it is licensed to store steel billet, a DP Warehouse must deliver out in accordance with the minimum requirements stipulated in the tables below, provided demand is present.~~

DP Warehouse's authorised space in sq. metres (steel storage facilities only)	Minimum daily delivery tonnage for steel
2,500	800 tonnes
5,000	1,200 tonnes
7,500	1,500 tonnes

~~The above table applies to all DP Warehouses who are storing up to 150,000 tonnes of steel. For DP Warehouses who are storing 150,000 tonnes and above, the following table is applicable:~~

DP Warehouse's tonnage stored (steel only)	Minimum daily delivery tonnage for steel
150,000 tonnes to 299,999 tonnes	2,000 tonnes
300,000 tonnes to 599,999 tonnes	2,500 tonnes
600,000 tonnes to 899,999 tonnes	3,500 tonnes
900,000 tonnes and over	4,000 tonnes

- ~~86.~~ In addition to the minimum daily load-out tonnage stipulated in paragraphs C2 to C5 above, an "Affected DP Warehouse" (as defined at paragraph 3 of Section E below) shall be required to comply with the Linked Load-In and Load-Out Requirements set out in Section E below. However, where a market participant requests it to do so, the LME, acting reasonably in its sole discretion, shall have the power to~~may, on an exceptional basis~~ disapply such requirements on a per-case basis~~in any case where the LME considers that it is appropriate to do so in order to prevent abuse and/or preserve the orderly functioning of the market, or it is otherwise proportionate to do so~~. The LME will ~~agreereview~~ review Queue scheduling with Affected DP Warehouses ~~and how this will be monitored~~. For the avoidance of doubt, the Affected DP Warehouse concerned is responsible for ensuring its own compliance with the Warehouse Requirements; the LME will not provide confirmation and/or endorse a Warehouse's Queue scheduling for the purposes of compliance with the Warehouse Requirements. In the event that a DP Warehouse becomes subject to increased minimum load-out requirements under this policy, it is the responsibility of the Warehouse to reschedule the whole Queue for the given Delivery Point, by offering the



additional slots to metal owners depending on their order in the Queue (starting with the first metal owners in the Queue).

~~9. To qualify as a load-out:~~


7. All movements of metal out of a Warehouse must comply with the Warehouse Requirements. In particular:

- (a) The ~~load-out~~movement of metal out of a Warehouse must be accompanied by a bill of lading or other document or correspondence (issued by a carrier to the Warehouse or issued by the Warehouse to a carrier), no matter the form of transportation, listing goods for transport and the intended recipient; and
- (b) The recipient on the document at (a) above cannot be an entity which is an Authorised Warehouse or an off-Warrant warehouse located in the same Delivery Point where the metal is loaded out, if such Authorised Warehouse or off-Warrant warehouse is owned or operated by the Warehouse loading out the metal, or is a company in the Warehouse's Group. In the event that the document at (a) is issued by the Warehouse, then the Warehouse shall be responsible for the veracity of the information contained therein. In the event that the metal owner wishes to keep confidential from the Warehouse the destination of the metal, the Warehouse must contact the LME to discuss bespoke arrangements to demonstrate the load-out of the metal.

~~Any~~For the avoidance of doubt, any movement of metal ~~which is not accompanied by a bill of lading or equivalent meeting~~that does not comply with the requirements of paragraphs (a) and (b) above shall be in breach of this policy (even if the Warehouse has already met its minimum daily load-out tonnage by means of movements of metal out of the Warehouse that do comply with the requirements of paragraphs (a) and (b) above). A movement of metal that does not comply with the requirements of paragraphs (a) and (b) above shall also not be counted towards a Warehouse's minimum daily load-out ~~requirements~~tonnage. Material placed into containers within an Authorised Warehouse may be counted as a load-out by the Warehouse provided that the container is sealed on that day. For the avoidance of doubt, a high volume of sealed containers should have no impact on the load-out requirements.


~~10. Once all formalities permitting delivery, including payment of applicable delivery out charges (including without limitation Free on Truck charges ("FOT") or equivalent for other modes of transport), have been completed, the Warehouse shall endeavour to process requests for deliveries out on the basis of 48 hours' notice and strictly in the order in which they are received, unless the Warrant holders seeking cancellation agree otherwise. The FOT charges imposed by a Warehouse shall be the rates published at the date of cancellation not at the date of delivery.—~~

8. Warehouses must process each request for the load-out of metal without undue delay and schedule load-out slots strictly in the order in which requests for load-out are received, unless the metal owners agree otherwise. In respect of a given request for load-out, a Warehouse must schedule load-out slots to commence no



later than the same time on the second business day after the completion of Formalities (the "Deemed Load-Out Time") (i.e. where completion of Formalities takes place at 10am (local time) on Friday and Monday and Tuesday are business days, the Deemed Load-Out Time will be 10am on Tuesday).


9. A "Queue", in respect of a given request for the load-out of metal, is deemed to arise at the earlier of (a) the date and time of the first scheduled load-out slot; or (b) the Deemed Load-Out Time. The length of a Queue at a given DP Warehouse on a given date is to be calculated as the number of days (rounded up to the nearest whole day) for which a metal owner would need to wait for the first available load-out slot if the Deemed Load-Out Time for the requested metal is 10am (local time for the Warehouse concerned) on that date.
4410. Warehouses shall publish (on their website or other appropriate method) a clear process for scheduling and handling ~~delivery~~load-out slots (including required documents, timing of operations, etc.).
4211. Warehouses are required to supply the LME with their current rent and Free on Truck ("FOT") charges. In addition, Warehouses are also required to publish on their website in an easily accessible manner the current level of charges in respect of (i) Free on Rail, (ii) Free Alongside, (iii) Free in Container Yard (which, for the avoidance of doubt, shall relate to the cost of packing a container at a facility nominated by the Warehouse, with the cost of transportation of such container to and from the facility being for the account of the metal owner), (iv) metal re-warranting, and (v) slot rescheduling at the request of the metal owner. Certain of these charges may not be applicable given the transportation modes available at the Delivery Point, in which case this should be noted on the website. Warehouses may not charge fees for these services that exceed the levels published on their website, and may not impose any other compulsory charges on metal owners in respect of these logistical activities, other than those so published.
12. The FOT charges imposed by a Warehouse on a given metal owner shall be the rates published on the date of the request for load-out of the metal, not the date of load-out of the requested metal.
13. With the exception of inland Delivery Points, there should be no charges above the FOT for transferring metal to the Warehouse's approved and nominated loading berths (as advised to the LME in schedule B of the warehouse application); the unloading of such metal from the truck being for the receiver's account.
14. There should be no charges above the FOT for transferring metal to the nearest railhead in Delivery Points situated in the countries referred to in section B3 above (as advised to the LME in schedule B of the warehouse application); the loading of such metal onto a railcar being for the receiver's account.
15. Warehouses are reminded that, in general, the minimum daily ~~delivery~~load-out tonnages set out in this policy are minimum ~~delivery-out~~load-out requirements,



not minimum scheduling requirements. However, metal owners are also reminded of their obligations in respect of observing reasonable logistical arrangements in respect of metal collection. In particular, in the event that no metal owner wishes to avail themselves of a ~~delivery~~load-out slot offered on a reasonable basis and at a reasonable time of day, a Warehouse will be permitted to count the tonnage which would have been ~~delivered~~loaded out in that slot towards ~~delivery~~outlets load-out requirements if it can verify that the empty slot had originally been offered to all metal owners in the Queue.


D) The Premium Contract Rule

1. DP Warehouses without Queues in a particular Delivery Point are eligible for the ~~delivery~~load-out of Warrants in that Delivery Point against contracts designated by the LME as ~~"Premium Contracts"~~ (~~"Premium Warrants"~~). The specification of Premium Contracts is made by the LME pursuant to the requirements in the "Premium Contract Regulations" set out in the LME Rulebook. Warrants not so endorsed will be referred to as ~~"Standard Warrants"~~. The ability to endorse Premium Warrants applies at the level of the DP Warehouse. Accordingly, if a Warehouse has a Queue in one Delivery Point, this will not prevent the Warehouse endorsing Premium Warrants at its Authorised Warehouses in a different Delivery Point, provided that the second facility does not have a Queue.
2. In order for a Warehouse to endorse a Warrant as a Premium Warrant, the following conditions must be satisfied:
 - (a) the DP Warehouse must be located in one of the premium regions, as set out in the Premium Contract Regulations;
 - (b) the DP Warehouse must have opted-in to the Premium Warrant regime, by completing the appropriate agreement with the LME - the LME will publish a list of all DP Warehouses which have opted-in to the premium warrant regime; and
 - (c) at the time of endorsement of the Premium Warrant, the DP Warehouse must not have a Queue in respect of any LME metal.
3. A Premium Warrant can only be endorsed if the metal owner so requests, and the Warehouse agrees to do so. There are two routes by which a Premium Warrant may be created:
 - (a) In connection with fresh metal ~~loaded-in~~loaded in to the DP Warehouse, a Warrant is issued in respect of that metal, and is immediately endorsed as a Premium Warrant. Warehouses may set a different rent and FOT rate in respect of Premium Warrants – such rates will be reported to the LME by Warehouses and published annually in the same way as for Standard Warrant rent and FOT rates. As with current metal load-in, no Warehouse is obligated to accept metal for warranting, and metal owners must ensure that Premium Warrant creation capacity is available at their intended DP Warehouse – in particular, it is expected that Warehouses will not wish to



warrant more premium metal than they could logistically ~~load-out~~load out pursuant to the greater requirements attaching to such metal. However, the LME would expect Warehouses which have opted-in to the Premium Warrant regime not to unreasonably refuse the load-in of metal and the creation of Premium Warrants; or

- (b) An existing Standard Warrant is converted to a Premium Warrant. Warehouses opting-in to the premium warrant regime may indicate whether or not they are prepared to undertake such conversion, and to identify if they wish to charge a conversion fee (the amount of which will be reported to the LME and published annually by the Warehouse) which will be levied in this event. Warehouses may also set a maximum quota (expressed as a tonnage) in respect of the maximum amount of Standard Warrants which they will be prepared to convert to Premium Warrants. This may be important for Warehouses with large stocks of Standard Warrants, and which would not be able to take on the additional requirements were the entire stock to be converted to Premium Warrants. However, within their stated quota, Warehouses will be expected to convert Standard Warrants into Premium Warrants on a non-discriminatory and first-come-first-served basis. Once a Standard Warrant has been converted into a Premium Warrant, then the Warehouse's published Premium Warrant rents and FOTs will apply
- 4. In the event that a Premium Warrant is cancelled and a Queue develops at the DP Warehouse in the Delivery Point, such that any metal owner who, having cancelled a Warrant; paid FOT, or equivalent, and rent; provided shipping instructions; and requested prompt load-out, is told that load-out cannot be completed ~~within 48 hours~~by the Deemed Load-Out Time; the Warehouse will have an immediate duty to inform the LME, which will, within one London business day, announce to the market that the Warehouse will cease to be able to endorse Premium Warrants in that Delivery Point three London business days following such announcement. Warehouses which have cleared their Queues in the relevant Delivery Point will be entitled to resume the issuance of Premium Warrants following the publication by the LME of the next monthly Queues report confirming that no Queues remain. The emergence of a Queue at a DP Warehouse does not change the status of Premium Warrants previously issued by that DP Warehouse - such Warrants remain Premium Warrants.
- 5. However, and notwithstanding the three day adjustment period, metal owners should note that, given the above, the emergence of a Queue at a DP Warehouse may impact their ability to create Premium Warrants in that Delivery Point. Accordingly, those holding short positions in respect of LME Premium Contracts are urged to ensure that they have created the requisite Premium Warrants in good time prior to ~~delivery~~load-out.
- 6. Where a Queue arises, pursuant to the conditions set out in paragraph D4, the DP Warehouse will have an obligation to ~~load-out~~load out metal relating to cancelled Premium Warrants in a separate Queue. The minimum daily load-out rate for such metal will be the higher of:

- 
- (a) 1,000 tonnes per day; and
 - (b) 3% of the total stock relating to Premium Warrants (live and cancelled) in the DP Warehouse.

For the avoidance of doubt, load-out obligations in respect of Premium Warrants are in addition to load-out obligations for Standard Warrants. In particular, the basis on which minimum load-out rates for Standard Warrants are calculated takes into account total stored tonnage in the DP Warehouse, related to both Standard Warrants and Premium Warrants.

- 7. Once it has opted into the Premium Contract Rule, a DP Warehouse may only ~~opt-out~~ opt out if its stock of Premium Warrants is zero.
- 8. Premium Warrants may be converted back to Standard Warrants by agreement between the metal owner and the Warehouse. However, there shall be no obligation on Warehouses to facilitate such transfers.
- 9. Premium Warrants may be re-warranted by agreement between the metal owners and the Warehouse. However, there is no requirement on the Warehouse to re-warrant cancelled Premium Warrants as new Premium Warrants, and a Warehouse may reasonably offer to re-warrant a cancelled Premium Warrant as a Standard Warrant.

E) Linked Load-In and Load-Out Requirements

1. Principle

The general principle of this requirement is to link load-in and load-out for DP Warehouses with Queues of greater than 50 calendar days (the ~~"Queue Threshold"~~).

2. LIFO Rule Definitions

In relation to a particular DP Warehouse, a Business Day (~~"Business Day"~~) is any day on which that particular DP Warehouse is operating and subject to the current LME minimum load-out requirement.

A Calculation Period ("Calculation Period") shall mean a three-month period in respect of which a Warehouse must calculate its Incremental Load-Out Requirement under paragraph E4 below. In a given year, the Calculation Periods shall run as follows: (a) 1 February to 30 April; (b) 1 May to 31 July; (c) 1 August to 31 October; and (d) 1 November to 31 January.

~~The Preliminary Calculation Period ("Preliminary Calculation Period") shall be the period between 1 July 2013 and 31 January 2015, inclusive.~~

~~The First Calculation Period ("First Calculation Period") shall be the period between 1 February 2015 and 30 April 2015, inclusive.~~

~~Each subsequent Calculation Period ("Calculation Period") shall be the three months immediately following the preceding Calculation Period. By way of example, the Second Calculation Period ("Second Calculation Period") shall be the period between 1 May 2015 and 31 July 2015, inclusive (being the three months immediately following the First Calculation Period).~~

~~The Preliminary Discharge Period, (the "Preliminary Discharge Period") which will apply in relation to the Preliminary Calculation Period, will be the three month period between 1 March 2015 and 31 May 2015, inclusive.~~

For each ~~subsequent~~ Calculation Period, the ~~related~~corresponding Discharge Period (i.e. the period during which the Incremental Load-Out Requirement ~~calculated~~must be met in accordance with paragraph ~~4E5~~ below ~~must be met~~) shall be the three month period starting on the date one calendar month following the end of that Calculation Period (the ~~"Discharge Period"~~). ~~By way of example, the First~~In a given year, the corresponding Discharge ~~Period~~Periods shall ~~be the period between~~run as follows: (a) 1 June 2015 and to 31 August 2015, inclusive (being the three month period starting on the date one calendar month following the end of the First Calculation Period) (the "First Discharge Period"); (b) 1 September to 30 November; (c) 1 December to the last day of February; and (d) 1 March to 31 May.

In relation to a particular DP Warehouse on any given Business Day, the Normal ~~daily~~Daily Minimum Load-Out Rate is the amount of metal required to be loaded out according to the LME requirements set out in Section C of this Policy (the ~~"Normal Daily Minimum Load-Out Rate"~~) as follows:

(a) On the Business Day in question, the minimum daily load-out tonnage, in accordance with the tables set out in paragraph C2 above.

~~(a)~~ (b) If, on the Business Day in question, a DP Warehouse is required to ~~make an additional load-out of non-dominant metal~~an Additional Daily Metal (pursuant to paragraph ~~C4 of Section C~~ above), such additional load-out will be counted towards the Normal Daily Minimum ~~Load-Out~~Load-Out Rate for the Business Day in question.

(b) If, on the Business Day in question, a DP Warehouse is required to make an additional load-out of nickel, tin, Aluminium Alloys and/or ~~Aluminium Alloys~~Cobalt (pursuant to paragraph ~~C5 of Section C~~ above), such additional load-out will be counted towards the Normal Daily Minimum Load-Out Rate for the Business Day in question.

~~(c) Load-out of cobalt and RMC (paragraph 6 of Section C above) and steel billet (paragraph 7 of Section C above) will not be counted towards the Normal Daily Minimum Load-Out Rate, given that these metals are treated separately for the purposes of DP Warehouse load-out rates.~~

Re-warranted Metal (~~"Re-warranted Metal"~~) is metal in respect of which a Warrant has been cancelled, but has not been loaded out of the DP Warehouse (due to the presence of a Queue or other operational constraint), and in respect of which the metal owner has requested that the Warehouse issues a new

Warrant (and hence reverses the original request to ~~deliver out~~load-out that metal).

The Decay Factor shall be the coefficient applied in the equation at ~~Section~~paragraph E, ~~paragraph 4(b)(i). Until 31 July 2015 (i.e. for use in the First and Second Calculation Periods), the value of the Decay Factor shall be 0.5. From 1 August 2015 (i.e. for use in the Third and subsequent Calculation Periods), the~~ below. The value of the Decay Factor shall be 1.0. For the avoidance of doubt, the current and future values of the Decay Factor remain subject to modification pursuant to ~~Section~~paragraph E, ~~paragraph 6~~below.

3. Affected DP Warehouses

On any given Business Day, an Affected DP Warehouse is a DP Warehouse with a Queue of greater than the Queue Threshold ~~(the "Affected DP Warehouse")~~. Queue lengths will continue to be measured and reported to the LME by DP Warehouses, with the LME continuing to exercise oversight in respect of such measurements. For the avoidance of doubt, to the extent that a DP Warehouse has scheduled ~~deliveries~~load-outs pursuant to any Incremental Load-Out Requirement arising per this policy, then the Queue length may take into account such incremental scheduled ~~deliveries~~load-outs.

4. Calculating the Incremental Load-Out Requirement

The Incremental Load-Out Requirement shall mean the additional amount of metal that must be discharged by ~~a~~an Affected DP Warehouse during the course of the relevant Discharge Period in accordance with paragraph E5 below, over and above the load-out required by the Normal Daily Minimum Load-Out Rate on each day of that Discharge Period (the ~~"~~"Incremental Load-Out Requirement"). The Incremental Load-Out Requirement is derived on the final day of the relevant Calculation Period, as set out more fully in this ~~section~~paragraph E, ~~paragraph 4~~.

~~(a) During the Preliminary~~each Calculation Period, ~~each~~a DP Warehouse shall ~~maintain the calculation of its Cumulative Incremental Load-Out Quantity which is~~measure:

- a) the sum of metal that the DP Warehouse is required to load out pursuant to the Normal Daily Minimum Load-Out Rate (the "Cumulative Normal Minimum Load-Out"); and
- b) ~~the quantity set to zero at the beginning of the Preliminary Calculation Period and increased~~sum of metal, increasing incrementally ~~on each Business Day of the Preliminary, that the DP Warehouse loads in during the relevant~~ Calculation Period ~~by the process set out in this section E, paragraph 4(a) (the "(the "Cumulative Incremental Load-Out Quantity" Load-In").~~

~~During the Preliminary~~each Calculation Period, ~~on each Business Day, the following value will be added to the Cumulative Incremental Load-Out~~

Quantity: the Cumulative Normal Minimum Load-Out and Cumulative Load-In shall be measured from the Relevant Calculation Date until the last Business Day of the Calculation Period.

- ~~(i) the amount of new metal placed on warrant in the DP Warehouse on the Business Day in question (which, for the avoidance of doubt, shall not include Re-warranted Metal, steel, RMC nor cobalt);~~
- a) For each Calculation Period prior to 1 February 2020 and any Calculation Period during which a DP Warehouse is an Affected DP Warehouse on the first Business Day of the relevant Calculation Period, the Relevant Calculation Date is the first Business Day of the Calculation Period.

~~less,~~

- ~~(ii) the higher of (i) the Normal Daily Minimum Load-Out Rate, and (ii) the actual amount of metal loaded out of the DP Warehouse on the Business Day in question—provided that, for the purposes of (ii), load-out in excess of the Normal Daily Minimum Load-Out Rate which is made to compensate for a shortfall in load-out on a previous or subsequent Business Day (due, inter alia, to scheduling variations within a single load-out request per paragraph 2 of Section C above) shall not count towards the actual amount of metal loaded out of the DP Warehouse.~~

~~On the final Business Day of the Preliminary Calculation Period, a DP Warehouse shall establish whether it is an Affected DP Warehouse at the end of that Business Day. If (i) the DP Warehouse is not an Affected DP Warehouse, or (ii) the calculated Cumulative Incremental Load-Out Quantity is less than or equal to zero, then the Incremental Load-Out Requirement for the Preliminary Calculation Period shall be set to zero, and no additional load-out requirements will hence be incurred during the Preliminary Discharge Period. If (i) the DP Warehouse is an Affected DP Warehouse, and (ii) the calculated Cumulative Incremental Load-Out Quantity is greater than zero, then the Incremental Load-Out Requirement for the Preliminary Calculation Period shall be set to the Cumulative Incremental Load-Out Quantity in relation to the Preliminary Calculation Period, and must be satisfied by the DP Warehouse during the Preliminary Discharge Period as set out in paragraph 5 below.~~

- b) (b) During the First For each Calculation Period, and each subsequent Calculation Period, a DP Warehouse shall measure its Cumulative Load-In and Cumulative Normal Minimum Load-Out. Cumulative Normal Minimum Load-Out shall mean the sum of metal across every commencing on or after 1 February 2020 during which a DP Warehouse is not an Affected DP Warehouse on the first Business Day of the relevant Calculation Period that a but becomes an Affected DP Warehouse is required to load-out pursuant to the Normal Daily Minimum Load-Out Rate (the “Cumulative Normal Minimum Load-Out”). Cumulative Load-In shall mean the sum, increased incrementally each Business Day of the relevant during the Calculation Period, of metal that the DP Warehouse loads-in during the relevant Calculation Period (the “Cumulative Load-In”).



~~Both quantities will be set to zero at the beginning of the~~ the Relevant Calculation Date is the Business Day on which the DP Warehouse first becomes an Affected DP Warehouse during that Calculation Period.

~~For~~During each ~~Business Day during the~~ Calculation Period, the Cumulative Load-In will be increased by the amount of new metal placed on-warrant in the DP Warehouse on ~~the each~~ the each Business Day ~~in question from the Relevant Calculation Date until the last Business Day of the Calculation Period~~ (which, for the avoidance of doubt, shall not include Re-warranted Metal, ~~steel, RMC nor cobalt~~).

~~For~~During each ~~Business Day during the~~ Calculation Period, the Cumulative Normal Minimum Load-Out will be increased by the Normal Daily Minimum Load-Out Rate for ~~the each~~ the each Business Day ~~in question from the Relevant Calculation Date until the last Business Day of the Calculation Period~~.

At the end of the Calculation Period, ~~and if the DP Warehouse has been an Affected DP Warehouse on any Business Day during that Calculation Period, then~~ the Incremental Load-Out Requirement ~~will~~can be calculated as:

(i) the Decay Factor multiplied by the Cumulative Load-In, up to and including the Cumulative Normal Minimum Load-Out;

plus,

(ii) the amount of Cumulative Load-In ~~above~~in excess of the Cumulative Normal Minimum ~~Load-Out~~Load-Out.

For the avoidance of doubt, if the DP Warehouse has not been an Affected DP Warehouse on any day during ~~that a given~~ Calculation Period, then the Incremental Load-Out Requirement will be zero in respect of that Calculation Period.


5. Discharging the Incremental Load-Out Requirement

At the end of each Calculation Period, the ~~then~~DP Warehouse must calculate the current Incremental Load-Out

Requirement as at the last day of the Calculation Period. The Requirement must be satisfied by the DP Warehouse during the Discharge Period associated with the Calculation Period having just concluded, provided load-out demand is present.

~~During the associated Discharge Period, the DP Warehouse will be required to load-out~~must satisfy the Incremental Load-Out Requirement; during the subsequent corresponding Discharge Period in addition to its load-out obligations in accordance with Section C above. ~~For the avoidance of doubt, the, subject to the provisions in this paragraph and provided load-out demand is present.~~

A DP Warehouse ~~will not be held to any~~subject to this paragraph is not required to satisfy a particular daily incremental load-out rate – however, in aggregate



over the course of the Discharge Period, the full Incremental Load-Out Requirement must be satisfied, subject to the provisions in this paragraph.

If, during the Discharge Period, the Queue at the DP Warehouse falls below 30 days, the DP Warehouse is no longer required to schedule additional load-out slots to satisfy the Incremental Load-Out Requirement during the Discharge Period. For the avoidance of doubt, the DP Warehouse must fulfil all scheduled load-out slots.

The DP Warehouse must offer additional slots created to meet the Incremental Load-Out Requirement to metal owners strictly in the order ~~of their position in the Queue~~. requests for load-out are received. However, where:

- a) a request for load-out of metal by a metal owner (being the "Affecting Requestor" or, together with any other metal owners determined by the LME in its sole discretion to be acting in concert, the "Affecting Requestors") results in the DP Warehouse becoming an Affected DP Warehouse (such request, together with any previous requests by the Affecting Requestors which contributed to the Queue at the date of the DP Warehouse becoming the Affected DP Warehouse, being the "Affecting Requests"); and
- b) prior to the Affecting Requests, the DP Warehouse had a Queue of less than 30 days,

the DP Warehouse may request permission from the LME (granted at its sole discretion) to disregard, for the purposes of offering additional load-out slots under this paragraph, the Affecting Requestor(s). If such permission is granted, the DP Warehouse must still satisfy the Incremental Load-Out Requirement during the relevant Discharge Period in accordance with this paragraph, but additional load-out slots may be offered to metal owners in the Queue other than the Affecting Requestor(s). For the avoidance of doubt, this may result in the DP Warehouse processing load-out requests not in the strict order requests for load-out are received (as between the Affecting Requestor(s) and other metal owners).

6. Adjusting the Decay Factor and/or Queue Threshold

The LME, acting reasonably, ~~reserves the right to~~ in its sole discretion, may adjust the Decay Factor and/or the Queue Threshold either on a market-wide basis or on a per-DP Warehouse basis where the LME considers that it is appropriate to do so in order to ~~enhance~~ prevent abuse and/or preserve the orderly functioning of the market, ~~or to prevent abusive behaviour or for any other reason~~ it is otherwise proportionate to do so.

7. A worked example of the calculation

This worked example is provided for illustrative purposes only and should not be relied upon for any reason.

- (a) Consider a notional DP Warehouse with stocks of 2,000,000 tonnes of a single metal. Pursuant to ~~the LME Policy Regarding the Approval of Warehouses, revised 1 February 2015~~this Policy, the Normal Daily Minimum Load-Out Rate is ~~3,000~~4,000 tonnes per Business Day. Consider further that the DP Warehouse chooses to ~~load-out~~load-out precisely its Normal Daily Minimum Load-Out Rate (~~3,000~~4,000 tonnes) on each Business Day.
- (b) Consider that, of the DP Warehouse's stocks, 1,000,000 tonnes are represented by ~~cancelled~~metal requested for load-out. Assuming that metal owners of all of the ~~cancelled~~requested metal have completed the necessary ~~formalities~~Formalities, then the DP Warehouse's load-out Queue will hold 1,000,000 tonnes of metal. At a load-out rate of ~~3,000~~4,000 tonnes per Business Day, the Queue length will be:
- (i) 1,000,000 tonnes / ~~3,000~~4,000 tonnes per Business Day
 - (ii) = ~~333.3~~250 Business Days
 - (iii) = ~~465.3~~350 calendar days (assuming all weekdays are Business Days)

For the avoidance of doubt, in practice, the Queue length will be determined by the Warehouse concerned on the basis of schedules provided to metal owners.

- (c) Consider that the DP Warehouse places on-warrant a constant amount of ~~3,100~~4,100 tonnes per Business Day. Consider also that, on each Business Day, Warrant holders cancel an amount of ~~3,000~~4,000 tonnes of metal (thus balancing the ~~delivery out of 3,000~~load-out of 4,000 tonnes per Business Day, resulting in a constant Queue length until such time as the Incremental Load-Out Requirement comes into effect). There is assumed to be no re-warranting of metal in this scenario.
- ~~(d) At the start of the Preliminary Calculation Period (1 July 2013), the Cumulative Incremental Load-Out Quantity is zero. On each day during the Preliminary Calculation Period, the following value will be added to the Cumulative Incremental Load-Out Quantity:~~
- ~~(i) the amount of new metal placed on-warrant in the DP Warehouse on the Business Day in question (which, for the avoidance of doubt, shall not include Re-warranted Metal) (3,100 tonnes);~~
 - ~~less,~~
 - ~~(ii) the higher of (i) the Normal Daily Minimum Load-Out Rate (3,000 tonnes), and (ii) the actual amount of metal loaded-out of the DP Warehouse on the Business Day in question (also 3,000 tonnes).~~
 - ~~= 3,100 tonnes – 3,000 tonnes = 100 tonnes~~
- ~~(e) At the end of the Preliminary Calculation Period (31 January 2015), and assuming that each weekday during the Preliminary Calculation Period is a Business Day for the DP Warehouse (resulting in a total of 415 Business Days during the Preliminary Calculation Period), then the Cumulative Incremental Load-Out Quantity will total 41,500 tonnes.~~

~~Given that, per (c) above, the Queue will have retained a constant length, the Queue length at the end of the Preliminary Calculation Period will remain at 465.3 calendar days. On this basis, the Queue length is greater than 50 days, and the DP Warehouse is hence an Affected DP Warehouse at the end of the Preliminary Calculation Period.~~

~~Given that, on the final Business Day of the Preliminary Calculation Period, (i) the DP Warehouse is an Affected DP Warehouse, and (ii) the calculated Cumulative Incremental Load-Out Quantity is greater than zero, then the Incremental Load-Out Requirement will be set to the Cumulative Incremental Load-Out Quantity (41,500 tonnes), and must be satisfied by the DP Warehouse during the Preliminary Discharge Period.~~

- ~~(f) During the Preliminary Discharge Period (1 March 2015 to 31 May 2015), the DP Warehouse will be required to load-out the Incremental Load-Out Requirement relating to the Preliminary Calculation Period (41,500 tonnes in total over the course of the Preliminary Discharge Period), in addition to its Normal Daily Minimum Load-Out Rate of 3,000 tonnes per Business Day.~~
- ~~(gd) At the start of the First Calculation Period (1 February 2015), the Cumulative Load-In and Cumulative Normal Minimum Load-Out are set to zero.~~

As the DP Warehouse has a Queue greater than the Queue Threshold on the first day of the Calculation Period, the Relevant Calculation Date is the first day of the Calculation Period.

Therefore, on each day during the Calculation Period from the Relevant Calculation Date:

- ~~a) On each day during the First Calculation Period,~~ the Cumulative Load-In will be increased by the amount of new metal placed on-warrant in the DP Warehouse on the Business Day in question (which, for the avoidance of doubt, shall not include Re-warranted Metal) – in this case ~~3,100~~4,100 tonnes.

~~On each day during the First Calculation Period, the Cumulative Normal~~

- ~~b) the Cumulative Normal~~ Minimum Load-Out will be increased by the Normal Daily Minimum Load-Out Rate for the Business Day in question – in this case ~~3,000~~4,000 tonnes.

- ~~(he) At the end of the First Calculation Period (30 April 2015), and assuming that each weekday during the First Calculation Period is a Business Day for the DP Warehouse (in this example resulting in a total of 64 Business Days during the First Calculation Period), then the Cumulative Load-In will total 198,400~~262,400 tonnes, and the Cumulative Normal Minimum Load-Out will total ~~192,000~~256,000 tonnes.

~~On the basis that the DP Warehouse has been an Affected DP Warehouse for at least one Business Day during the First Calculation Period, then the Incremental Load-Out Requirement will be calculated as follows:~~



The Incremental Load-Out Requirement will be calculated as follows:

- (i) Decay Factor multiplied by the Cumulative Load-In, up to and including the Cumulative Normal Minimum Load-Out;

plus,

- (ii) the Cumulative Load-In above the Cumulative Normal Minimum Load-Out.

$$= 0.51.0 \times 192,000 + (198,400 - 192,000) = 96,000 + 256,000 + (262,400 - 256,000) = 256,000 + 6,400$$

$$= 102,400 + 262,400 \text{ tonnes}$$

- (if) During the ~~First Discharge Period (1 June 2015 to 31 August 2015)~~, the DP Warehouse will be required to load-out the Incremental Load-Out Requirement relating to the First Calculation Period (~~102,400~~262,400 tonnes in total over the course of the ~~First Discharge Period~~), in addition to its Normal Daily Minimum Load-Out Rate of ~~3,000~~4,000 tonnes per Business Day, provided load-out demand is present.
- (jg) This process continues through ~~the Second Calculation Period (and associated Second Discharge Period), Third Calculation Period (and associated Third Discharge Period) and so on, incorporating the increased value of the Decay Factor in the Third and subsequent Calculation Periods; (and any increases in load-out requirements as implemented by the LME~~associated Discharge Periods), until such time as the DP Warehouse ceases to be an Affected DP Warehouse.

F) Continued compliance with the LME policy for Warehouses

1. A Warehouse must at all times comply with the Warehouse Requirements. In the event that a Warehouse does not appear to meet the Warehouse Requirements, there will be an initial review by the LME and consultation with the Warehouse concerned.
2. If the Warehouse can demonstrate that it will upgrade facilities or work practices to meet the LME's new standards, the LME will consider the appropriate amount of time to allow for such a process. Warehouses could, for example, be given a period of time to upgrade their facilities or relocate to a more suitable building within the Delivery Point, but this would be determined on a case by case basis, according to the circumstances.
3. If after consultation with the Warehouse, the Warehouse is unwilling or unable to upgrade its facilities or work practices to meet the LME's standards, the LME retains the right to restrict the capacity of that Warehouse (or DP Warehouse as appropriate) or to delist it. In particular, if a Warehouse fails to comply with the Linked Load-In and Load-Out Requirements per Section E, then the Board may

(among other actions) restrict the ability of that Warehouse to create Warrants in that Delivery Point until load-in and load-out are brought into alignment pursuant to the requirements.

4. Prior to implementation, the LME would give the necessary notice of any action to be taken to the Warehouse and allow for formal representations to be made.

G) Queue Based Rent Cap

The provisions of this Section G shall take effect on 1 ~~May 2016~~February 2020 (the ~~"Effective Date"~~), ~~save that the calculations in paragraphs 1 and 2 may be applied historically in determining when the Rent Cap in respect of a particular tonnage of metal subject to a Cancellation prior to 1 May 2016 should take effect²~~. The provisions of this Section G shall be referred to as the ~~"Queue Based Rent Cap"~~. For the avoidance of doubt, Cancellations that take place prior to the Effective Date shall remain subject to the previous version of the Policy in force prior to 1 February 2020.

1. When ~~Warrants representing in aggregate an amount of metal (in tonnes) which is equal to or larger than 10,000 tonnes (the total amount of such Cancellation being the "First Cancellation Amount")~~a Warrant, or a consignment of Warrants, are the subject of a Cancellation (the "First Cancellation Amount") at a DP Warehouse on a specific date (the ~~"First Actual Cancellation Date"~~) by a single ~~warrantholder~~metal owner, or multiple ~~warrantholders~~metal owners acting in concert as determined by the LME in its sole discretion, who owned no Warrants in respect of metal in the Queue of that DP Warehouse before such Cancellation, the ~~"Deemed Cancellation Dates"~~ in respect of that First Cancellation Amount shall be as follows^{3,1}. For the avoidance of doubt, the Deemed Cancellation Date is to be calculated at the point of Cancellation (i.e. the completion of Formalities in respect of the request for load-out) and is not recalculated in the event of rescheduling due to re-warranting or an increase in load-out rates due to the LIFO Rule.
 - (a) The Deemed Cancellation Date in respect of the amount of metal scheduled into the Queue on the first available day in the schedule⁴² (the ~~"First Day Load-Out Amount"~~) forming part of the First Cancellation Amount shall be the First Actual Cancellation Date.

² ~~Under no circumstances would the Rent Cap take effect prior to 1 May 2016.~~

³ ~~It should be noted that the concept of "Deemed Cancellation" is relevant only for the purposes of Queue Based Rent Cap calculations. It does not impact the fact that stock is cancelled for the purposes of stock reporting, queue calculation etc.~~

¹ It should be noted that the concept of "Deemed Cancellation" is relevant only for the purposes of Queue Based Rent Cap calculations. It does not impact the fact that stock is subject to a request for load-out for the purposes of stock reporting, queue calculation etc.

⁴² For the avoidance of doubt, the quantum of the First Day Load-Out Amount will be determined by (i) the minimum daily ~~delivery~~load-out tonnage of the relevant DP Warehouse applicable on the scheduled date of ~~delivery out~~load-out, and (ii) the amount of metal from any previous Cancellation already scheduled into the Queue on that day.

- (b) The Deemed Cancellation Date in respect of the amount of metal scheduled into the Queue on the second available day in the schedule⁵³ (the "Second Day Load-Out Amount") forming part of the First Cancellation Amount shall be X calendar days after the First Actual Cancellation Date (where "X" is the number of calendar days between the scheduled delivery load-out slots⁶⁴ for the First Day Load-Out Amount and the Second Day Load-Out Amount).
- (c) The Deemed Cancellation Date in respect of the amount of metal scheduled in the Queue on the third available day of the schedule (the "Third Day Load-Out Amount") forming part of the First Cancellation Amount shall be Y calendar days after the First Actual Cancellation Date (where "Y" is the number of calendar days between the scheduled delivery load-out slots⁶⁴ for the First Day Load-Out Amount and the Third Day Load-Out Amount).
- (d) This shall continue for the calculation of the Deemed ~~Calculation~~Cancellation Date in respect of each Day Load-Out Amount forming part of the First Cancellation Amount, including, lastly, in respect of the final part of the First Cancellation Amount.
2. Further, if a ~~warrantholder~~metal owner, or several ~~warrantholders~~metal owners acting in concert as determined by the LME in its sole discretion, who ~~has cancelled~~holds Warrants ~~and~~subject to a Cancellation in respect of which the metal ~~for those Warrants~~ has not yet been loaded out by a DP Warehouse, subsequently ~~cancels~~requests the Cancellation of additional Warrants representing any amount (the "Additional Cancellation Amount") in the same DP Warehouse on the same or a different date (the "Additional Actual Cancellation Date"), ~~and where the aggregate holding in the Queue (including the Additional Cancellation Amount) is equal to or exceeds 10,000 tonnes, the~~ "the "Deemed Cancellation Dates" for the Additional Cancellation Amount shall be as follows: For the avoidance of doubt, the Deemed Cancellation Date of the Additional Cancellation Amount is to be calculated at the point of Cancellation (i.e. the completion of Formalities in respect of the request for load-out) and is not recalculated in the event of rescheduling due to re-warranting or an increase in load-out rates due to the LIFO Rule.
- (a) The Deemed Cancellation Date in respect of the amount of metal scheduled into the Queue on the first available day in the schedule⁴² (the "First Day Load-Out Amount") forming part of the Additional Cancellation Amount shall be N calendar days after the Additional Actual Cancellation Date (where "N" is the number of calendar days occupied in the Queue by any previous Cancellations in the Queue, not including the effect of the Additional Cancellation Amount, attributable to the ~~warrantholder~~metal owner or other

⁵³ For the avoidance of doubt, the quantum of the Second Day Load-Out Amount will be determined by the minimum daily delivery load-out tonnage of the relevant DP Warehouse applicable on the scheduled date of ~~delivery-out~~load-out.

⁶⁴ For the avoidance of doubt, this means the actual slot scheduled including the effect of any weekend.

~~warrant holders~~ metal owners acting in concert, rounded up to the nearest whole calendar day).

- (b) The Deemed Cancellation Date in respect of the amount of metal scheduled into the Queue on the second available day in the schedule⁵³ (the "Second Day Load-Out Amount") forming part of the Additional Cancellation Amount shall be N+X calendar days after the Additional Actual Cancellation Date (where "X" is the number of calendar days between the scheduled ~~delivery~~ load-out slots⁶⁴ for the First Day Load-Out Amount and the Second Day Load-Out Amount).
 - (c) The Deemed Cancellation Date in respect of the amount of metal scheduled into the Queue on the third available day in the schedule (the "Third Day Load-Out Amount") forming part of the Additional Cancellation Amount shall be N+Y calendar days after the Additional Actual Cancellation Date (where "Y" is the number of calendar days between the scheduled ~~delivery~~ load-out slots⁶⁴ for the First Day Load-Out Amount and the Third Day Load-Out Amount).
 - (d) This shall continue for the calculation of the Deemed Calculation Date in respect of each Day Load-Out Amount forming part of the Additional Cancellation Amount, including, lastly, in respect of the final part of the Additional Cancellation Amount.
3. A Warehouse shall track the waiting time for ~~delivery out~~ load-out of metal from the "Applicable Cancellation Date", being the latest of: (i) the date of Cancellation; (ii) the Effective Date; and (iii) the Deemed Cancellation Date (in the case of Warrants which meet the conditions described in paragraph G1 or G2 of this Section G above). Notwithstanding any other provisions of this Policy, a Warehouse should generally ~~deliver~~ load out metal from its Authorised Warehouses as quickly as possible, and at worst within ~~30~~ the number of calendar days of the Applicable Cancellation Date specified in paragraph G4 below. Failure to achieve ~~delivery~~ load-out within this timescale shall result in the Warehouse being obliged to reduce its Rent in accordance with the provisions set out below (but, for the avoidance of doubt, the Warehouse shall not incur any other penalty for failure to meet the timescales set out in this Section G unless in contravention of other provisions of the Policy, Warehouse Agreement or other requirements of the LME).
4. Where the ~~waiting time exceeds 30~~ number of calendar days waiting time from the Applicable Cancellation Date, ~~but before the waiting time exceeds 50 calendar days from the Applicable Cancellation Date, the Warehouse shall be permitted to charge at most 50% of its Rent for the cancelled metal; and where the waiting time exceeds 50 calendar days from the Applicable Cancellation Date exceeds the QBRC Threshold~~, the Warehouse may not charge any further Rent for the cancelled metal.

The QBRC Threshold means the following:

a) from 1 February 2020 to 30 April 2020: 50 days

b) from 1 May 2020 to 31 July 2020: 60 days

c) from 1 August to 31 October 2020: 70 days

d) from 1 November 2020 onwards: 80 days

For the avoidance of doubt, the QBRC Threshold that applies in respect of a given Cancellation is the QBRC Threshold in force at the point of Cancellation (i.e. the date of completion of Formalities in respect of the request for load-out) and is not recalculated in the event of rescheduling due to re-warranting or an increase in load-out rates due to the LILO Rule. The LME will be monitoring the operation of the QBRC Threshold and reserves its right to exercise its discretion under paragraph G7.

5. However, and without prejudice to its general powers under Paragraph G7 below, the LME may by Notice inform the market that the increases in the QBRC Threshold anticipated in Clause G4 will cease, in which case the QBRC Threshold will remain at its last level. So, for example, the LME may state on 1 September 2020 that the planned increase of the QBRC Threshold to 80 days on 1 November 2020 will not take place, and the QBRC Threshold will hence remain at 70 days.

6. ~~5.~~-A worked example of the calculation.

This worked example is provided for illustrative purposes only and is not intended to replace or vary the framework in paragraphs G1 and G2 above. Accordingly, this worked example should not be relied upon for any reason.

- (a) Consider the Cancellation of a clip of 10,000 tonnes (the "First Cancellation Amount"), on ~~24 May 2016~~2020 (the "First Actual Cancellation Date") at a DP Warehouse with a Queue of 150 calendar days, and a daily load-out requirement of 4,000 tonnes, by an owner who at present has no metal in the Queue at that DP Warehouse.
- (b) The first 4,000 tonnes (the "First Day Load-OutLoad-Out Amount") of the clip will be scheduled on ~~29~~24 September ~~2016~~2020 (a Thursday). The second 4,000 tonnes (the "Second Day Load-OutLoad-Out Amount") of the clip will be scheduled on ~~30~~25 September ~~2016~~2020 (a Friday). The final 2,000 tonnes (the "Third Day Load-OutLoad-Out Amount") of the clip will be scheduled on ~~3-October-2016~~28 September 2020 (a Monday).
- (c) The Deemed Cancellation Date, and hence the startApplicable Cancellation Date for the purposes of the QBRC "clock", for the first 4,000 tonnes (scheduled for load-out on ~~29~~24 September ~~2016~~2020) will be the First Actual Cancellation Date, namely ~~24 May 2016. Half rent will become payable after 30 days (i.e. on 1 June 2016), and~~2020. Given the value of the QBRC Threshold on the First Actual Cancellation Date is 60 days, zero rent

will become payable after ~~50~~60 days from the First Actual Cancellation Date (i.e. on ~~21~~26 June ~~2016~~2020).

- (d) The Deemed Cancellation Date, and hence the startApplicable Cancellation Date for the purposes of the QBRC "clock", for the second 4,000 tonnes (scheduled for load-out on ~~30~~25 September ~~2016~~2020) will be ~~35~~ May ~~2016~~2020 (i.e. one day after the First Actual Cancellation Date).
- (e) The Deemed Cancellation Date, and hence the startApplicable Cancellation Date for the purposes of the QBRC "clock", for the final 2,000 tonnes (scheduled for load-out on ~~3 October 2016~~28 September 2020) will be ~~68~~ May ~~2016~~2020 (i.e. four days after the First Actual Cancellation Date, taking into account the effect of the firstlast weekend in ~~October~~September on the load-out scheduling).
- (f) On ~~9~~11 May ~~2016~~2020 (the "Additional Actual Cancellation Date"), the same warrantholdermetal owner cancels an incremental 10,000 tonnes (the "Additional Cancellation Amount") at the same DP Warehouse. By this date, the Queue (including the effect of the warrantholder'smetal owner's first Cancellation and potentially other Cancellations but prior to the warrantholder'smetal owner's second Cancellation) has grown to 155 calendar days.
- (g) The original 10,000 tonne Cancellation by that warrantholdermetal owner is responsible for 5 days of the 155 day queueQueue (rounded up, and including the effect of the firstlast weekend ~~in October~~of September on the scheduling).
- (h) The first 4,000 tonnes (the "First Day Load-OutLoad-Out Amount") of the second clip will be scheduled on ~~11~~13 October ~~2016~~2020 (a Tuesday). The second 4,000 tonnes (the "Second Day Load-OutLoad-Out Amount") of the clip will be scheduled on ~~12~~14 October ~~2016~~2020 (a Wednesday). The final 2,000 tonnes (the "Third Day Load-OutLoad-Out Amount") of the clip will be scheduled on ~~13~~15 October ~~2016~~2020 (a Thursday).
- (i) The Deemed Cancellation Date, and hence the startApplicable Cancellation Date for the purposes of the QBRC "clock", for the first 4,000 tonnes (scheduled for load-out on ~~11~~13 October ~~2016~~2020) would ordinarily be the Additional Actual Cancellation Date, namely ~~9~~11 May ~~2016~~2020. However, because the warrantholder'smetal owner's prior Cancellation contributes five days, the Deemed Cancellation Date will be five days later, namely ~~14~~16 May ~~2016~~2020. ~~HalfZero~~ rent will become payable after ~~30~~60 days (i.e. on ~~13 June 2016~~), and zero rent will become payable after 50 days (i.e. on ~~31~~9 July ~~2016~~2020).
- (j) The Deemed Cancellation Date, and hence the startApplicable Cancellation Date for the purposes of the QBRC "clock", for the second 4,000 tonnes (scheduled for load-out on ~~12~~14 October ~~2016~~2020) will be ~~15~~17 May ~~2016~~2020.

- (k) The Deemed Cancellation Date, and hence the ~~start~~Applicable Cancellation Date for the purposes of the QBRC ~~"clock"~~, for the final 2,000 tonnes (scheduled for load-out on 13 October 2016) will be ~~16~~18 May ~~2016~~2020.

- ~~7.~~ ~~6.~~ The LME, acting reasonably in its sole discretion, reserves the right, with or without notice, to adjust the parameters of the Queue Based Rent Cap (including the QBRC Threshold) or to suspend its application either on a market-wide basis or on a per-Warehouse or per-DP Warehouse basis where the LME considers that it is appropriate to do so in order to ~~enhance~~prevent abuse and/or preserve the orderly functioning of the market, or ~~to prevent abusive behaviour or for any other reason it is otherwise proportionate to do so~~. The power to act without notice will be reserved for urgent cases where any change would ordinarily be implemented on a temporary rather than a permanent basis.
- ~~8.~~ ~~7.~~ For the avoidance of doubt, Warehouses may still enter into rent discount agreements with metal owners, provided that the maximum rates set out in this Section G are respected.

H) Review of LME policy for Warehouses

This policy will be reviewed ~~at least on a biennial basis~~from time to time.

I) General Definitions

"Additional Actual Cancellation Date" shall have the meaning given to it in paragraph G2.

"Additional Cancellation Amount" shall have the meaning given to it in paragraph G2.

"Additional Daily Metal" shall have the meaning given to it in paragraph C4.

"Affected DP Warehouse" shall have the meaning given to it in paragraph E3.

"Affecting Requests" shall have the meaning given to it in paragraph E5.

"Affecting Requestors" shall have the meaning given to it in paragraph E5.

"Aluminium Alloys" shall have the meaning given to it in paragraph C5.

"Applicable Cancellation Date" shall have the meaning given to it in paragraph G3.

"Authorized Warehouse" shall mean a warehouse storage facility operated by a Warehouse in a particular Delivery Point, which has been approved by the LME for the purposes of the Warehouse Agreement.

"Business Day" shall have the meaning given to it in paragraph E2.



"Calculation Period" shall have the meaning given to it in paragraph E2.

~~"Cancellation"~~ shall mean the ~~point when a Warrant is cancelled, delivery requested from the Warehouse by the metal owner, and all associated formalities have been completed by the metal owner (including payment of charges and provision of shipping instructions).~~process by which a metal owner requests the termination of a Warrant, or consignment of Warrants, and the delivery of the underlying metal, and shall be deemed to take place at the point when the Formalities in respect of that request are completed.

"Cumulative Normal Minimum Load-Out" shall have the meaning given to it in paragraph E4.

"Cumulative Load-In" shall have the meaning given to it in paragraph E4.

"Daily Dominant Metal" shall have the meaning given to it in paragraph C4.

"Deemed Cancellation Date" shall have the meaning given to it in paragraphs G1 and G2.

"Deemed Load-Out Time" shall have the meaning given to it in paragraph C8.

"Delivery Point" shall mean a specific geographic area within which ~~warehouses~~Authorised Warehouses are listed and approved by the LME for the issue of Warrants.

"Discharge Period" shall have the meaning given to it in paragraph E2.

"DP Warehouse" shall mean all the Authorised Warehouses of a particular Warehouse within a Delivery Point.

"Effective Date" shall have the meaning given to it in Section G of this policy.

"EXCOM" shall mean the Executive Committee of the LME.


"First Actual Cancellation Date" shall have the meaning given to it in paragraph G1.

"First Cancellation Amount" shall have the meaning given to it in paragraph G1.

"First Day Load-Out Amount" shall have the meaning given to it in paragraph G1.

"Formalities" shall mean all the formalities considered, in the LME's sole discretion, to be reasonably necessary to be ~~completed by the metal owner~~ to permit the load-out of metal, including: the request to terminate the Warrant, the request for load-out of the metal, the provision of shipping instructions, and the payment of applicable load-out charges.

"Group" shall mean, in relation to a company, any subsidiary or any holding company from time to time of that company, and any subsidiary from time to time of



a holding company of that company. The terms "holding company" and "subsidiary" have the meanings given to them in section 1159 of the Companies Act 2006.

"Incremental Load-Out Requirement" shall have the meaning given to it in paragraph E4.

"LIFO Rule" shall mean the requirements set out in Section E of this policy.

"LME" or the "Exchange" shall mean ~~the~~The London Metal Exchange.

~~"LME Special Committee" shall mean the LME Committee to which the LME Directors have delegated the emergency powers under Regulation 15 of Part 3 of the LME Rulebook, as permitted by the Articles of Association of the LME.~~

"LME Contract" shall mean a contract as defined by the LME Rulebook.

"Load-out" shall mean a delivery of metal out of the premises of an Authorised Warehouse ~~which~~that meets the requirements of this policy (including for the avoidance of doubt paragraph C9).

"Location" shall mean a geographic area capable of being a Delivery Point.

~~"Queue" means circumstances where load-out requests cannot be serviced immediately by a Warehouse, measured by the number of calendar days a metal owner cancelling a Warrant today must wait for a scheduled delivery slot.~~

"Normal Daily Minimum Load-Out Rate" shall have the meaning given to it in paragraph E2.

"Premium Warrant" shall have the meaning given to it in paragraph D1.

"Queue" shall have the meaning given to it in paragraph C9.

"Queue Based Rent Cap" shall have the meaning given to it in Section G of this policy.

~~"RMC" shall mean roasted molybdenum concentrate~~Queue Threshold" shall have the meaning given to it in paragraph E1.

~~"Rent" means~~ shall mean the maximum rent published by the Warehouse each year in accordance with the provisions of the Warehouse Agreement.

"Re-warranted Metal" shall have the meaning given to it in paragraph E2.

"Second Day Load-Out Amount" shall have the meaning given to it in paragraph G1.

"Standard Warrant" shall have the meaning given to it in paragraph D1.

"Third Day Load-Out Amount" shall have the meaning given to it in paragraph G1.



"Warehouse" shall mean a warehouse company which has been approved by the LME and which has agreed to be bound by the terms and conditions applicable to all LME approved warehouses, as amended by the LME from time to time.

"Warehouse Agreement" shall mean the terms and conditions entered into between the Warehouse and the LME, as applicable to all LME listed Warehouses.

["Warehouse Requirements" shall have the meaning given to it in paragraph A4.](#)

"Warrant" shall mean a warehouse warrant for the storage of metal, issued by a Warehouse and in a form approved by the LME.

Summary report: Litéra® Change-Pro 10.1.0.200 Document comparison done on 24/07/2019 20:39:22	
Style name: Default Style	
Intelligent Table Comparison: Active	
Original DMS: dm://LWDLIB01/6452760/1	
Modified DMS: dm://LWDLIB01/6452762/2	
Changes:	
<u>Add</u>	515
Delete	458
Move From	17
<u>Move To</u>	17
<u>Table Insert</u>	0
Table Delete	2
<u>Table moves to</u>	0
Table moves from	0
Embedded Graphics (Visio, ChemDraw, Images etc.)	0
Embedded Excel	0
Format changes	0
Total Changes:	1009



LME POLICY ON THE APPROVAL AND OPERATION OF WAREHOUSES, REVISED [1 FEBRUARY 2020]

A) Warehouses

1. Applicants to be a Warehouse will be considered for approval and listing in an existing or new Delivery Point subject to completion of a Warehouse Agreement application form supported by evidence of insurance, capital adequacy and other documents as detailed by the LME from time to time. The LME will inspect premises and operations offered for warehousing to the LME prior to any listing to ensure they suit the logistical nature of the Location as required by the LME. The LME will state its needs in this respect when sending the applicant the application form. The LME has discretion to accept or decline an application for approval to be a Warehouse or attach specific conditions to approval to be a Warehouse.
2. A Warehouse shall have staff with sufficient experience in metal storage, logistics and systems to ensure that the Warehouse is able to comply with all applicable requirements on an ongoing basis. The LME may, in its reasonable discretion, reject an application from an applicant which is unable to demonstrate compliance with this requirement.
3. Applicants for approval shall be required to demonstrate that they do not:
 - (a) control the operation of any infrastructure or the provision of any service in the Location / Delivery Point that would be critical to any other Warehouse, or any company wishing to become a Warehouse, in the Location / Delivery Point concerned (including, without limitation, terminal operators which may operate all or most of the berths within a port; a logistics company providing all or most of the logistics services in the port (haulage and warehouse operations); or a company that owns all or most of the real estate/warehouses of the Location); or
 - (b) otherwise exercise control in the Location / Delivery Point;

such that the LME would have a reasonable concern that the applicant's operation of a Warehouse could be detrimental to competition.
4. A Warehouse must comply at all times without limitation with: this policy and any other notices or policies issued by the LME, from time to time which apply to Warehouses; and the Warehouse Agreement (together the "Warehouse Requirements").



B) Transportation

Transport links

1. All Authorised Warehouses must have adequate transport links and be situated in close proximity to major highways.
2. With the exception of inland Delivery Points, all Authorised Warehouses must have adequate transport links and be situated in close proximity to water loading facilities.
3. All Authorised Warehouses located in Germany, Belgium, Netherlands, Sweden and the US must have adequate transport links and be situated in close proximity to railheads.
4. All Authorised Warehouses in inland Delivery Points must be directly connected to a rail network.

The LME, respecting such confidentiality as it deems necessary and appropriate, will undertake its own enquiries, as it sees fit, from its members/trade entities etc. to evaluate any applications prior to submission to EXCOM for consideration.

C) Common standards of working practices and facilities for Warehouses

1. For each 2500 sq. metres of space there should be access by means of an operational door for vehicle loading/unloading, with a minimum of 2 doors per Authorised Warehouse. The LME may, in its discretion, allow a fewer number of operational doors and/or a wider area to be accessed by such operational doors.
2. A Warehouse must schedule load-outs, and take all reasonable steps to load out metal, in accordance with the minimum daily load-out tonnage tables below. However, where the total metal scheduled to be loaded out from a Warehouse for a single metal owner exceeds the minimum daily load-out tonnage for the capacity in the table below, the Warehouse will not be required to meet the minimum daily load-out tonnage each day so long as it meets the aggregate minimum daily load-out tonnage over the relevant period calculated in accordance with the table (e.g. if the requests for the load-out of 2000 tonnes apply to a DP Warehouse's capacity of 2500 sq. metres, the Warehouse is required to complete the load out within the 3 day period specified in the table, with no reference to the tonnage loaded out on any one of those days).



For a DP Warehouse storing up to (but not including) 150,000 tonnes of metal, the following table is applicable.

DP Warehouse's authorised space in sq. metres	Minimum daily load-out tonnage for all metals
0 sq.m to 2,500 sq.m	800 tonnes
2,501 sq.m to 5,000 sq.m	1,200 tonnes
5,001 sq.m to 7,500 sq.m	1,500 tonnes

For a DP Warehouse storing 150,000 tonnes and above, the following table is applicable.

DP Warehouse's tonnage stored	Minimum daily load-out tonnage for all metals
150,000 tonnes to 299,999 tonnes	2,000 tonnes
300,000 tonnes to 599,999 tonnes	2,500 tonnes
600,000 tonnes to 899,999 tonnes	3,500 tonnes
900,000 tonnes and over	4,000 tonnes

NB: The minimum daily load-out tonnage is for load-out only and does not include load-in.

3. When a DP Warehouse's tonnage stored increases beyond any of the 150,000, 300,000, 600,000 or 900,000 tonnes thresholds, the applicable revised minimum daily load-out tonnage shall have effect from the date which is 30 days from the date on which the threshold is passed. This will allow the Warehouse to implement the necessary scheduling changes in order to meet the increased minimum daily load-out tonnage. However, when a DP Warehouse's tonnage stored falls beneath any of the 150,000, 300,000, 600,000 or 900,000 tonnes thresholds, a Warehouse will still be required to load out all outstanding load-outs scheduled on or prior to the date on which the tonnage falls beneath such threshold on the basis of that schedule.
4. In addition to the minimum daily load-out tonnage stipulated in paragraphs C2 and C5, where a DP Warehouse satisfies the following conditions:
 - (a) the DP Warehouse has total scheduled load-out commitments of 30,000 tonnes or more; and
 - (b) a minimum of 30,000 tonnes of those scheduled commitments are for one metal (being the first metal scheduled to be loaded out that day) (the "Daily Dominant Metal");

the Warehouse shall be required to load out in that Delivery Point a minimum aggregate amount of 500 tonnes per day of one or more metal(s) other than the Daily Dominant Metal (the "Additional Daily Metal"), provided that such load-outs



are requested. For the avoidance of doubt, a Warehouse must load out the Additional Daily Metal in the order in which such metal is requested for load-out.

5. In respect of each DP Warehouse, a Warehouse is required to load out a minimum daily quantity of the following metals (subject to there being sufficient requests for such metals).
 - a) Tin: 60 tonnes
 - b) Nickel: 60 tonnes
 - c) Metal warranted pursuant to the LME's specifications for the aluminium alloy contract and the North American Special Aluminium Alloy Contract ("NASAAC") (together "Aluminium Alloys"): 500 tonnes
 - d) Cobalt: 60 tonnes

A Warehouse may satisfy the minimum daily quantities of Tin, Nickel, Aluminium Alloys and Cobalt in this paragraph as part of the normal course scheduling of metal in the Queue, including the minimum daily load-out tonnage at paragraph C2 and Additional Daily Metal load-out requirements at paragraph C4, but not any additional requirement under the LIFO Rule. For the avoidance of doubt, where a Warehouse has not, as part of its normal course scheduling of metal, satisfied the minimum daily quantities of Tin, Nickel, Aluminium Alloys and Cobalt under this paragraph, the Warehouse must (where requests for such metal have been made) also load out an additional amount of Tin, Nickel, Aluminium Alloys and/or Cobalt to meet the minimum load-out quantities required by this paragraph.

6. In addition to the minimum daily load-out tonnage stipulated in paragraphs C2 to C5 above, an "Affected DP Warehouse" (as defined at paragraph 3 of Section E below) shall be required to comply with the Linked Load-In and Load-Out Requirements set out in Section E below. However, where a market participant requests it to do so, the LME, acting reasonably in its sole discretion, may, on an exceptional basis disapply such requirements in any case where the LME considers that it is appropriate to do so in order to prevent abuse and/or preserve the orderly functioning of the market, or it is otherwise proportionate to do so. The LME will review Queue scheduling with Affected DP Warehouses. For the avoidance of doubt, the Affected DP Warehouse concerned is responsible for ensuring its own compliance with the Warehouse Requirements; the LME will not provide confirmation and/or endorse a Warehouse's Queue scheduling for the purposes of compliance with the Warehouse Requirements. In the event that a DP Warehouse becomes subject to increased minimum load-out requirements under this policy, it is the responsibility of the Warehouse to reschedule the whole Queue for the given Delivery Point, by offering the additional slots to metal owners depending on their order in the Queue (starting with the first metal owners in the Queue).



7. All movements of metal out of a Warehouse must comply with the Warehouse Requirements. In particular:
 - (a) The movement of metal out of a Warehouse must be accompanied by a bill of lading or other document or correspondence (issued by a carrier to the Warehouse or issued by the Warehouse to a carrier), no matter the form of transportation, listing goods for transport and the intended recipient; and
 - (b) The recipient on the document at (a) above cannot be an entity which is an Authorised Warehouse or an off-Warrant warehouse located in the same Delivery Point where the metal is loaded out, if such Authorised Warehouse or off-Warrant warehouse is owned or operated by the Warehouse loading out the metal, or is a company in the Warehouse's Group. In the event that the document at (a) is issued by the Warehouse, then the Warehouse shall be responsible for the veracity of the information contained therein. In the event that the metal owner wishes to keep confidential from the Warehouse the destination of the metal, the Warehouse must contact the LME to discuss bespoke arrangements to demonstrate the load-out of the metal.

For the avoidance of doubt, any movement of metal that does not comply with the requirements of paragraphs (a) and (b) above shall be in breach of this policy (even if the Warehouse has already met its minimum daily load-out tonnage by means of movements of metal out of the Warehouse that do comply with the requirements of paragraphs (a) and (b) above). A movement of metal that does not comply with the requirements of paragraphs (a) and (b) above shall also not be counted towards a Warehouse's minimum daily load-out tonnage. Material placed into containers within an Authorised Warehouse may be counted as a load-out by the Warehouse provided that the container is sealed on that day. For the avoidance of doubt, a high volume of sealed containers should have no impact on the load-out requirements.

8. Warehouses must process each request for the load-out of metal without undue delay and schedule load-out slots strictly in the order in which requests for load-out are received, unless the metal owners agree otherwise. In respect of a given request for load-out, a Warehouse must schedule load-out slots to commence no later than the same time on the second business day after the completion of Formalities (the "Deemed Load-Out Time") (i.e. where completion of Formalities takes place at 10am (local time) on Friday and Monday and Tuesday are business days, the Deemed Load-Out Time will be 10am on Tuesday).
9. A "Queue", in respect of a given request for the load-out of metal, is deemed to arise at the earlier of (a) the date and time of the first scheduled load-out slot; or (b) the Deemed Load-Out Time. The length of a Queue at a given DP Warehouse on a given date is to be calculated as the number of days (rounded up to the nearest whole day) for which a metal owner would need to wait for the first available load-out slot if the Deemed Load-Out Time for the requested metal is 10am (local time for the Warehouse concerned) on that date.



10. Warehouses shall publish (on their website or other appropriate method) a clear process for scheduling and handling load-out slots (including required documents, timing of operations, etc.).
11. Warehouses are required to supply the LME with their current rent and Free on Truck ("FOT") charges. In addition, Warehouses are also required to publish on their website in an easily accessible manner the current level of charges in respect of (i) Free on Rail, (ii) Free Alongside, (iii) Free in Container Yard (which, for the avoidance of doubt, shall relate to the cost of packing a container at a facility nominated by the Warehouse, with the cost of transportation of such container to and from the facility being for the account of the metal owner), (iv) metal re-warranting, and (v) slot rescheduling at the request of the metal owner. Certain of these charges may not be applicable given the transportation modes available at the Delivery Point, in which case this should be noted on the website. Warehouses may not charge fees for these services that exceed the levels published on their website, and may not impose any other compulsory charges on metal owners in respect of these logistical activities, other than those so published.
12. The FOT charges imposed by a Warehouse on a given metal owner shall be the rates published on the date of the request for load-out of the metal, not the date of load-out of the requested metal.
13. With the exception of inland Delivery Points, there should be no charges above the FOT for transferring metal to the Warehouse's approved and nominated loading berths (as advised to the LME in schedule B of the warehouse application); the unloading of such metal from the truck being for the receiver's account.
14. There should be no charges above the FOT for transferring metal to the nearest railhead in Delivery Points situated in the countries referred to in section B3 above (as advised to the LME in schedule B of the warehouse application); the loading of such metal onto a railcar being for the receiver's account.
15. Warehouses are reminded that, in general, the minimum daily load-out tonnages set out in this policy are minimum load-out requirements, not minimum scheduling requirements. However, metal owners are also reminded of their obligations in respect of observing reasonable logistical arrangements in respect of metal collection. In particular, in the event that no metal owner wishes to avail themselves of a load-out slot offered on a reasonable basis and at a reasonable time of day, a Warehouse will be permitted to count the tonnage which would have been loaded out in that slot towards its load-out requirements if it can verify that the empty slot had originally been offered to all metal owners in the Queue.

D) The Premium Contract Rule

1. DP Warehouses without Queues in a particular Delivery Point are eligible for the load-out of Warrants in that Delivery Point against contracts designated by the LME as "Premium Contracts" ("Premium Warrants"). The specification of



Premium Contracts is made by the LME pursuant to the requirements in the "Premium Contract Regulations" set out in the LME Rulebook. Warrants not so endorsed will be referred to as "Standard Warrants". The ability to endorse Premium Warrants applies at the level of the DP Warehouse. Accordingly, if a Warehouse has a Queue in one Delivery Point, this will not prevent the Warehouse endorsing Premium Warrants at its Authorised Warehouses in a different Delivery Point, provided that the second facility does not have a Queue.

2. In order for a Warehouse to endorse a Warrant as a Premium Warrant, the following conditions must be satisfied:
 - (a) the DP Warehouse must be located in one of the premium regions, as set out in the Premium Contract Regulations;
 - (b) the DP Warehouse must have opted-in to the Premium Warrant regime, by completing the appropriate agreement with the LME - the LME will publish a list of all DP Warehouses which have opted-in to the premium warrant regime; and
 - (c) at the time of endorsement of the Premium Warrant, the DP Warehouse must not have a Queue in respect of any LME metal.
3. A Premium Warrant can only be endorsed if the metal owner so requests, and the Warehouse agrees to do so. There are two routes by which a Premium Warrant may be created:
 - (a) In connection with fresh metal loaded in to the DP Warehouse, a Warrant is issued in respect of that metal, and is immediately endorsed as a Premium Warrant. Warehouses may set a different rent and FOT rate in respect of Premium Warrants – such rates will be reported to the LME by Warehouses and published annually in the same way as for Standard Warrant rent and FOT rates. As with current metal load-in, no Warehouse is obligated to accept metal for warranting, and metal owners must ensure that Premium Warrant creation capacity is available at their intended DP Warehouse – in particular, it is expected that Warehouses will not wish to warrant more premium metal than they could logistically load out pursuant to the greater requirements attaching to such metal. However, the LME would expect Warehouses which have opted-in to the Premium Warrant regime not to unreasonably refuse the load-in of metal and the creation of Premium Warrants; or
 - (b) An existing Standard Warrant is converted to a Premium Warrant. Warehouses opting-in to the premium warrant regime may indicate whether or not they are prepared to undertake such conversion, and to identify if they wish to charge a conversion fee (the amount of which will be reported to the LME and published annually by the Warehouse) which will be levied in this event. Warehouses may also set a maximum quota (expressed as a tonnage) in respect of the maximum amount of Standard Warrants which they will be prepared to convert to Premium Warrants. This may be



important for Warehouses with large stocks of Standard Warrants, and which would not be able to take on the additional requirements were the entire stock to be converted to Premium Warrants. However, within their stated quota, Warehouses will be expected to convert Standard Warrants into Premium Warrants on a non-discriminatory and first-come-first-served basis. Once a Standard Warrant has been converted into a Premium Warrant, then the Warehouse's published Premium Warrant rents and FOTs will apply

4. In the event that a Premium Warrant is cancelled and a Queue develops at the DP Warehouse in the Delivery Point, such that any metal owner who, having cancelled a Warrant; paid FOT, or equivalent, and rent; provided shipping instructions; and requested prompt load-out, is told that load-out cannot be completed by the Deemed Load-Out Time; the Warehouse will have an immediate duty to inform the LME, which will, within one London business day, announce to the market that the Warehouse will cease to be able to endorse Premium Warrants in that Delivery Point three London business days following such announcement. Warehouses which have cleared their Queues in the relevant Delivery Point will be entitled to resume the issuance of Premium Warrants following the publication by the LME of the next monthly Queues report confirming that no Queues remain. The emergence of a Queue at a DP Warehouse does not change the status of Premium Warrants previously issued by that DP Warehouse - such Warrants remain Premium Warrants.
5. However, and notwithstanding the three day adjustment period, metal owners should note that, given the above, the emergence of a Queue at a DP Warehouse may impact their ability to create Premium Warrants in that Delivery Point. Accordingly, those holding short positions in respect of LME Premium Contracts are urged to ensure that they have created the requisite Premium Warrants in good time prior to load-out.
6. Where a Queue arises, pursuant to the conditions set out in paragraph D4, the DP Warehouse will have an obligation to load out metal relating to cancelled Premium Warrants in a separate Queue. The minimum daily load-out rate for such metal will be the higher of:
 - (a) 1,000 tonnes per day; and
 - (b) 3% of the total stock relating to Premium Warrants (live and cancelled) in the DP Warehouse.

For the avoidance of doubt, load-out obligations in respect of Premium Warrants are in addition to load-out obligations for Standard Warrants. In particular, the basis on which minimum load-out rates for Standard Warrants are calculated takes into account total stored tonnage in the DP Warehouse, related to both Standard Warrants and Premium Warrants.

7. Once it has opted into the Premium Contract Rule, a DP Warehouse may only opt out if its stock of Premium Warrants is zero.



8. Premium Warrants may be converted back to Standard Warrants by agreement between the metal owner and the Warehouse. However, there shall be no obligation on Warehouses to facilitate such transfers.
9. Premium Warrants may be re-warranted by agreement between the metal owners and the Warehouse. However, there is no requirement on the Warehouse to re-warrant cancelled Premium Warrants as new Premium Warrants, and a Warehouse may reasonably offer to re-warrant a cancelled Premium Warrant as a Standard Warrant.

E) Linked Load-In and Load-Out Requirements

1. Principle

The general principle of this requirement is to link load-in and load-out for DP Warehouses with Queues of greater than 50 calendar days (the "Queue Threshold").

2. LILO Rule Definitions

In relation to a particular DP Warehouse, a Business Day ("Business Day") is any day on which that particular DP Warehouse is operating and subject to the current LME minimum load-out requirement.

A Calculation Period ("Calculation Period") shall mean a three-month period in respect of which a Warehouse must calculate its Incremental Load-Out Requirement under paragraph E4 below. In a given year, the Calculation Periods shall run as follows: (a) 1 February to 30 April; (b) 1 May to 31 July; (c) 1 August to 31 October; and (d) 1 November to 31 January.

For each Calculation Period, the corresponding Discharge Period (i.e. the period during which the Incremental Load-Out Requirement must be met in accordance with paragraph E5 below) shall be the three month period starting on the date one calendar month following the end of that Calculation Period (the "Discharge Period"). In a given year, the corresponding Discharge Periods shall run as follows: (a) 1 June to 31 August; (b) 1 September to 30 November; (c) 1 December to the last day of February; and (d) 1 March to 31 May.

In relation to a particular DP Warehouse on any given Business Day, the Normal Daily Minimum Load-Out Rate is the amount of metal required to be loaded out according to the LME requirements set out in Section C of this Policy (the "Normal Daily Minimum Load-Out Rate") as follows:

- (a) On the Business Day in question, the minimum daily load-out tonnage, in accordance with the tables set out in paragraph C2 above.
- (b) If, on the Business Day in question, a DP Warehouse is required to load-out an Additional Daily Metal (pursuant to paragraph C4 above), such additional



load-out will be counted towards the Normal Daily Minimum Load-Out Rate for the Business Day in question.

- (b) If, on the Business Day in question, a DP Warehouse is required to make an additional load-out of nickel, tin, Aluminium Alloys and/or Cobalt (pursuant to paragraph C5 above), such additional load-out will be counted towards the Normal Daily Minimum Load-Out Rate for the Business Day in question.

Re-warranted Metal ("Re-warranted Metal") is metal in respect of which a Warrant has been cancelled, but has not been loaded out of the DP Warehouse (due to the presence of a Queue or other operational constraint), and in respect of which the metal owner has requested that the Warehouse issues a new Warrant (and hence reverses the original request to load-out that metal).

The Decay Factor shall be the coefficient applied in the equation at paragraph E4 below. The value of the Decay Factor shall be 1.0. For the avoidance of doubt, the current and future values of the Decay Factor remain subject to modification pursuant to paragraph E6 below.

3. Affected DP Warehouses

On any given Business Day, an Affected DP Warehouse is a DP Warehouse with a Queue of greater than the Queue Threshold. Queue lengths will continue to be measured and reported to the LME by DP Warehouses, with the LME continuing to exercise oversight in respect of such measurements. For the avoidance of doubt, to the extent that a DP Warehouse has scheduled load-outs pursuant to any Incremental Load-Out Requirement arising per this policy, then the Queue length may take into account such incremental scheduled load-outs.

4. Calculating the Incremental Load-Out Requirement

The Incremental Load-Out Requirement shall mean the additional amount of metal that must be discharged by an Affected DP Warehouse during the course of the relevant Discharge Period in accordance with paragraph E5 below, over and above the load-out required by the Normal Daily Minimum Load-Out Rate on each day of that Discharge Period (the "Incremental Load-Out Requirement"). The Incremental Load-Out Requirement is derived on the final day of the relevant Calculation Period, as set out more fully in this paragraph E4.

During each Calculation Period, a DP Warehouse shall measure:

- a) the sum of metal that the DP Warehouse is required to load out pursuant to the Normal Daily Minimum Load-Out Rate (the "Cumulative Normal Minimum Load-Out"); and
- b) the sum of metal, increasing incrementally each Business Day, that the DP Warehouse loads in during the relevant Calculation Period (the "Cumulative Load-In").



During each Calculation Period, the Cumulative Normal Minimum Load-Out and Cumulative Load-In shall be measured from the Relevant Calculation Date until the last Business Day of the Calculation Period.

- a) For each Calculation Period prior to 1 February 2020 and any Calculation Period during which a DP Warehouse is an Affected DP Warehouse on the first Business Day of the relevant Calculation Period, the Relevant Calculation Date is the first Business Day of the Calculation Period.
- b) For each Calculation Period commencing on or after 1 February 2020 during which a DP Warehouse is not an Affected DP Warehouse on the first Business Day of the relevant Calculation Period but becomes an Affected DP Warehouse during the Calculation Period, the Relevant Calculation Date is the Business Day on which the DP Warehouse first becomes an Affected DP Warehouse during that Calculation Period.

During each Calculation Period, the Cumulative Load-In will be increased by the amount of new metal placed on-warrant in the DP Warehouse on each Business Day from the Relevant Calculation Date until the last Business Day of the Calculation Period (which, for the avoidance of doubt, shall not include Re-warranted Metal).

During each Calculation Period, the Cumulative Normal Minimum Load-Out will be increased by the Normal Daily Minimum Load-Out Rate for each Business Day from the Relevant Calculation Date until the last Business Day of the Calculation Period.

At the end of the Calculation Period, the Incremental Load-Out Requirement can be calculated as:

- (i) the Decay Factor multiplied by the Cumulative Load-In, up to and including the Cumulative Normal Minimum Load-Out;

plus,

- (ii) the amount of Cumulative Load-In in excess of the Cumulative Normal Minimum Load-Out.

For the avoidance of doubt, if the DP Warehouse has not been an Affected DP Warehouse on any day during a given Calculation Period, then the Incremental Load-Out Requirement will be zero in respect of that Calculation Period.

5. Discharging the Incremental Load-Out Requirement

At the end of each Calculation Period, the DP Warehouse must calculate the current Incremental Load-Out Requirement as at the last day of the Calculation Period. The DP Warehouse must satisfy the Incremental Load-Out Requirement during the subsequent corresponding Discharge Period in addition to its load-out



obligations in accordance with Section C above, subject to the provisions in this paragraph and provided load-out demand is present.

A DP Warehouse subject to this paragraph is not required to satisfy a particular daily incremental load-out rate – however, in aggregate over the course of the Discharge Period, the full Incremental Load-Out Requirement must be satisfied, subject to the provisions in this paragraph.

If, during the Discharge Period, the Queue at the DP Warehouse falls below 30 days, the DP Warehouse is no longer required to schedule additional load-out slots to satisfy the Incremental Load-Out Requirement during the Discharge Period. For the avoidance of doubt, the DP Warehouse must fulfil all scheduled load-out slots.

The DP Warehouse must offer additional slots created to meet the Incremental Load-Out Requirement to metal owners strictly in the order requests for load-out are received. However, where:

- a) a request for load-out of metal by a metal owner (being the "Affecting Requestor" or, together with any other metal owners determined by the LME in its sole discretion to be acting in concert, the "Affecting Requestors") results in the DP Warehouse becoming an Affected DP Warehouse (such request, together with any previous requests by the Affecting Requestors which contributed to the Queue at the date of the DP Warehouse becoming the Affected DP Warehouse, being the "Affecting Requests"); and
- b) prior to the Affecting Requests, the DP Warehouse had a Queue of less than 30 days,

the DP Warehouse may request permission from the LME (granted at its sole discretion) to disregard, for the purposes of offering additional load-out slots under this paragraph, the Affecting Requestor(s). If such permission is granted, the DP Warehouse must still satisfy the Incremental Load-Out Requirement during the relevant Discharge Period in accordance with this paragraph, but additional load-out slots may be offered to metal owners in the Queue other than the Affecting Requestor(s). For the avoidance of doubt, this may result in the DP Warehouse processing load-out requests not in the strict order requests for load-out are received (as between the Affecting Requestor(s) and other metal owners).

6. Adjusting the Decay Factor and/or Queue Threshold

The LME, acting reasonably in its sole discretion, may adjust the Decay Factor and/or the Queue Threshold either on a market-wide basis or on a per-DP Warehouse basis where the LME considers that it is appropriate to do so in order to prevent abuse and/or preserve the orderly functioning of the market, or it is otherwise proportionate to do so.



7. A worked example of the calculation

This worked example is provided for illustrative purposes only and should not be relied upon for any reason.

- (a) Consider a notional DP Warehouse with stocks of 2,000,000 tonnes of a single metal. Pursuant to this Policy, the Normal Daily Minimum Load-Out Rate is 4,000 tonnes per Business Day. Consider further that the DP Warehouse chooses to load-out precisely its Normal Daily Minimum Load-Out Rate (4,000 tonnes) on each Business Day.
- (b) Consider that, of the DP Warehouse's stocks, 1,000,000 tonnes are represented by metal requested for load-out. Assuming that metal owners of all of the requested metal have completed the necessary Formalities, then the DP Warehouse's load-out Queue will hold 1,000,000 tonnes of metal. At a load-out rate of 4,000 tonnes per Business Day, the Queue length will be:
 - (i) 1,000,000 tonnes / 4,000 tonnes per Business Day
 - (ii) = 250 Business Days
 - (iii) = 350 calendar days (assuming all weekdays are Business Days)

For the avoidance of doubt, in practice, the Queue length will be determined by the Warehouse concerned on the basis of schedules provided to metal owners.

- (c) Consider that the DP Warehouse places on-warrant a constant amount of 4,100 tonnes per Business Day. Consider also that, on each Business Day, Warrant holders cancel an amount of 4,000 tonnes of metal (thus balancing the load-out of 4,000 tonnes per Business Day, resulting in a constant Queue length until such time as the Incremental Load-Out Requirement comes into effect). There is assumed to be no re-warranting of metal in this scenario.
- (d) At the start of the Calculation Period, the Cumulative Load-In and Cumulative Normal Minimum Load-Out are set to zero.

As the DP Warehouse has a Queue greater than the Queue Threshold on the first day of the Calculation Period, the Relevant Calculation Date is the first day of the Calculation Period.

Therefore, on each day during the Calculation Period from the Relevant Calculation Date:

- a) the Cumulative Load-In will be increased by the amount of new metal placed on-warrant in the DP Warehouse on the Business Day in question (which, for the avoidance of doubt, shall not include Re-warranted Metal) – in this case 4,100 tonnes.



- b) the Cumulative Normal Minimum Load-Out will be increased by the Normal Daily Minimum Load-Out Rate for the Business Day in question – in this case 4,000 tonnes.
- (e) At the end of the Calculation Period, and assuming that each weekday during the Calculation Period is a Business Day for the DP Warehouse (in this example resulting in a total of 64 Business Days during the Calculation Period), then the Cumulative Load-In will total 262,400 tonnes, and the Cumulative Normal Minimum Load-Out will total 256,000 tonnes.

The Incremental Load-Out Requirement will be calculated as follows:

- (i) Decay Factor multiplied by the Cumulative Load-In, up to and including the Cumulative Normal Minimum Load-Out;

plus,

- (ii) the Cumulative Load-In above the Cumulative Normal Minimum Load-Out.

$$= 1.0 \times 256,000 + (262,400 - 256,000) = 256,000 + 6,400$$

$$= 262,400 \text{ tonnes}$$

- (f) During the Discharge Period, the DP Warehouse will be required to load-out the Incremental Load-Out Requirement relating to the First Calculation Period (262,400 tonnes in total over the course of the Discharge Period), in addition to its Normal Daily Minimum Load-Out Rate of 4,000 tonnes per Business Day, provided load-out demand is present.
- (g) This process continues through subsequent Calculation Periods (and associated Discharge Periods), until such time as the DP Warehouse ceases to be an Affected DP Warehouse.

F) Continued compliance with the LME policy for Warehouses

1. A Warehouse must at all times comply with the Warehouse Requirements. In the event that a Warehouse does not appear to meet the Warehouse Requirements, there will be an initial review by the LME and consultation with the Warehouse concerned.
2. If the Warehouse can demonstrate that it will upgrade facilities or work practices to meet the LME's new standards, the LME will consider the appropriate amount of time to allow for such a process. Warehouses could, for example, be given a period of time to upgrade their facilities or relocate to a more suitable building within the Delivery Point, but this would be determined on a case by case basis, according to the circumstances.



3. If after consultation with the Warehouse, the Warehouse is unwilling or unable to upgrade its facilities or work practices to meet the LME's standards, the LME retains the right to restrict the capacity of that Warehouse (or DP Warehouse as appropriate) or to delist it. In particular, if a Warehouse fails to comply with the Linked Load-In and Load-Out Requirements per Section E, then the Board may (among other actions) restrict the ability of that Warehouse to create Warrants in that Delivery Point until load-in and load-out are brought into alignment pursuant to the requirements.
4. Prior to implementation, the LME would give the necessary notice of any action to be taken to the Warehouse and allow for formal representations to be made.

G) Queue Based Rent Cap

The provisions of this Section G shall take effect on 1 February 2020 (the "Effective Date"). The provisions of this Section G shall be referred to as the "Queue Based Rent Cap". For the avoidance of doubt, Cancellations that take place prior to the Effective Date shall remain subject to the previous version of the Policy in force prior to 1 February 2020.

1. When a Warrant, or a consignment of Warrants, are the subject of a Cancellation (the "First Cancellation Amount") at a DP Warehouse on a specific date (the "First Actual Cancellation Date") by a single metal owner, or multiple metal owners acting in concert as determined by the LME in its sole discretion, who owned no Warrants in respect of metal in the Queue of that DP Warehouse before such Cancellation, the "Deemed Cancellation Dates" in respect of that First Cancellation Amount shall be as follows¹. For the avoidance of doubt, the Deemed Cancellation Date is to be calculated at the point of Cancellation (i.e. the completion of Formalities in respect of the request for load-out) and is not recalculated in the event of rescheduling due to re-warranting or an increase in load-out rates due to the LIFO Rule.
 - (a) The Deemed Cancellation Date in respect of the amount of metal scheduled into the Queue on the first available day in the schedule² (the "First Day Load-Out Amount") forming part of the First Cancellation Amount shall be the First Actual Cancellation Date.

¹ It should be noted that the concept of "Deemed Cancellation" is relevant only for the purposes of Queue Based Rent Cap calculations. It does not impact the fact that stock is subject to a request for load-out for the purposes of stock reporting, queue calculation etc.

² For the avoidance of doubt, the quantum of the First Day Load-Out Amount will be determined by (i) the minimum daily load-out tonnage of the relevant DP Warehouse applicable on the scheduled date of load-out, and (ii) the amount of metal from any previous Cancellation already scheduled into the Queue on that day.



- (b) The Deemed Cancellation Date in respect of the amount of metal scheduled into the Queue on the second available day in the schedule³ (the "Second Day Load-Out Amount") forming part of the First Cancellation Amount shall be X calendar days after the First Actual Cancellation Date (where "X" is the number of calendar days between the scheduled load-out slots⁴ for the First Day Load-Out Amount and the Second Day Load-Out Amount).
 - (c) The Deemed Cancellation Date in respect of the amount of metal scheduled in the Queue on the third available day of the schedule (the "Third Day Load-Out Amount") forming part of the First Cancellation Amount shall be Y calendar days after the First Actual Cancellation Date (where "Y" is the number of calendar days between the scheduled load-out slots⁴ for the First Day Load-Out Amount and the Third Day Load-Out Amount).
 - (d) This shall continue for the calculation of the Deemed Cancellation Date in respect of each Day Load-Out Amount forming part of the First Cancellation Amount, including, lastly, in respect of the final part of the First Cancellation Amount.
2. Further, if a metal owner, or several metal owners acting in concert as determined by the LME in its sole discretion, who holds Warrants subject to a Cancellation in respect of which the metal has not yet been loaded out by a DP Warehouse, subsequently requests the Cancellation of additional Warrants representing any amount (the "Additional Cancellation Amount") in the same DP Warehouse on the same or a different date (the "Additional Actual Cancellation Date"), the "Deemed Cancellation Dates" for the Additional Cancellation Amount shall be as follows. For the avoidance of doubt, the Deemed Cancellation Date of the Additional Cancellation Amount is to be calculated at the point of Cancellation (i.e. the completion of Formalities in respect of the request for load-out) and is not recalculated in the event of rescheduling due to re-warranting or an increase in load-out rates due to the LIFO Rule.
- (a) The Deemed Cancellation Date in respect of the amount of metal scheduled into the Queue on the first available day in the schedule² (the "First Day Load-Out Amount") forming part of the Additional Cancellation Amount shall be N calendar days after the Additional Actual Cancellation Date (where "N" is the number of calendar days occupied in the Queue by any previous Cancellations in the Queue, not including the effect of the Additional Cancellation Amount, attributable to the metal owner or other metal owners acting in concert, rounded up to the nearest whole calendar day).

³ For the avoidance of doubt, the quantum of the Second Day Load-Out Amount will be determined by the minimum daily load-out tonnage of the relevant DP Warehouse applicable on the scheduled date of load-out.

⁴ For the avoidance of doubt, this means the actual slot scheduled including the effect of any weekend.



- (b) The Deemed Cancellation Date in respect of the amount of metal scheduled into the Queue on the second available day in the schedule³ (the "Second Day Load-Out Amount") forming part of the Additional Cancellation Amount shall be $N+X$ calendar days after the Additional Actual Cancellation Date (where "X" is the number of calendar days between the scheduled load-out slots⁴ for the First Day Load-Out Amount and the Second Day Load-Out Amount).
 - (c) The Deemed Cancellation Date in respect of the amount of metal scheduled into the Queue on the third available day in the schedule (the "Third Day Load-Out Amount") forming part of the Additional Cancellation Amount shall be $N+Y$ calendar days after the Additional Actual Cancellation Date (where "Y" is the number of calendar days between the scheduled load-out slots⁴ for the First Day Load-Out Amount and the Third Day Load-Out Amount).
 - (d) This shall continue for the calculation of the Deemed Calculation Date in respect of each Day Load-Out Amount forming part of the Additional Cancellation Amount, including, lastly, in respect of the final part of the Additional Cancellation Amount.
3. A Warehouse shall track the waiting time for load-out of metal from the "Applicable Cancellation Date", being the latest of: (i) the date of Cancellation; (ii) the Effective Date; and (iii) the Deemed Cancellation Date (in the case of Warrants which meet the conditions described in paragraph G1 or G2 above). Notwithstanding any other provisions of this Policy, a Warehouse should generally load out metal from its Authorised Warehouses as quickly as possible, and at worst within the number of calendar days of the Applicable Cancellation Date specified in paragraph G4 below. Failure to achieve load-out within this timescale shall result in the Warehouse being obliged to reduce its Rent in accordance with the provisions set out below (but, for the avoidance of doubt, the Warehouse shall not incur any other penalty for failure to meet the timescales set out in this Section G unless in contravention of other provisions of the Policy, Warehouse Agreement or other requirements of the LME).
4. Where the number of calendar days waiting time from the Applicable Cancellation Date exceeds the QBRC Threshold, the Warehouse may not charge any further Rent for the cancelled metal.

The QBRC Threshold means the following:

- a) from 1 February 2020 to 30 April 2020: 50 days
- b) from 1 May 2020 to 31 July 2020: 60 days
- c) from 1 August to 31 October 2020: 70 days
- d) from 1 November 2020 onwards: 80 days



For the avoidance of doubt, the QBRC Threshold that applies in respect of a given Cancellation is the QBRC Threshold in force at the point of Cancellation (i.e. the date of completion of Formalities in respect of the request for load-out) and is not recalculated in the event of rescheduling due to re-warranting or an increase in load-out rates due to the LILO Rule. The LME will be monitoring the operation of the QBRC Threshold and reserves its right to exercise its discretion under paragraph G7.

5. However, and without prejudice to its general powers under Paragraph G7 below, the LME may by Notice inform the market that the increases in the QBRC Threshold anticipated in Clause G4 will cease, in which case the QBRC Threshold will remain at its last level. So, for example, the LME may state on 1 September 2020 that the planned increase of the QBRC Threshold to 80 days on 1 November 2020 will not take place, and the QBRC Threshold will hence remain at 70 days.

6. A worked example of the calculation.

This worked example is provided for illustrative purposes only and is not intended to replace or vary the framework in paragraphs G1 and G2 above. Accordingly, this worked example should not be relied upon for any reason.

- (a) Consider the Cancellation of a clip of 10,000 tonnes (the "First Cancellation Amount"), on 4 May 2020 (the "First Actual Cancellation Date") at a DP Warehouse with a Queue of 150 calendar days, and a daily load-out requirement of 4,000 tonnes, by an owner who at present has no metal in the Queue at that DP Warehouse.
- (b) The first 4,000 tonnes (the "First Day Load-Out Amount") of the clip will be scheduled on 24 September 2020 (a Thursday). The second 4,000 tonnes (the "Second Day Load-Out Amount") of the clip will be scheduled on 25 September 2020 (a Friday). The final 2,000 tonnes (the "Third Day Load-Out Amount") of the clip will be scheduled on 28 September 2020 (a Monday).
- (c) The Deemed Cancellation Date, and hence the Applicable Cancellation Date for the purposes of the QBRC "clock", for the first 4,000 tonnes (scheduled for load-out on 24 September 2020) will be the First Actual Cancellation Date, namely 4 May 2020. Given the value of the QBRC Threshold on the First Actual Cancellation Date is 60 days, zero rent will become payable after 60 days from the First Actual Cancellation Date (i.e. on 26 June 2020).
- (d) The Deemed Cancellation Date, and hence the Applicable Cancellation Date for the purposes of the QBRC "clock", for the second 4,000 tonnes (scheduled for load-out on 25 September 2020) will be 5 May 2020 (i.e. one day after the First Actual Cancellation Date).
- (e) The Deemed Cancellation Date, and hence the Applicable Cancellation Date for the purposes of the QBRC "clock", for the final 2,000 tonnes (scheduled for load-out on 28 September 2020) will be 8 May 2020 (i.e. four days after



the First Actual Cancellation Date, taking into account the effect of the last weekend in September on the load-out scheduling).

- (f) On 11 May 2020 (the "Additional Actual Cancellation Date"), the same metal owner cancels an incremental 10,000 tonnes (the "Additional Cancellation Amount") at the same DP Warehouse. By this date, the Queue (including the effect of the metal owner's first Cancellation and potentially other Cancellations but prior to the metal owner's second Cancellation) has grown to 155 calendar days.
 - (g) The original 10,000 tonne Cancellation by that metal owner is responsible for 5 days of the 155 day Queue (rounded up, and including the effect of the last weekend of September on the scheduling).
 - (h) The first 4,000 tonnes (the "First Day Load-Out Amount") of the second clip will be scheduled on 13 October 2020 (a Tuesday). The second 4,000 tonnes (the "Second Day Load-Out Amount") of the clip will be scheduled on 14 October 2020 (a Wednesday). The final 2,000 tonnes (the "Third Day Load-Out Amount") of the clip will be scheduled on 15 October 2020 (a Thursday).
 - (i) The Deemed Cancellation Date, and hence the Applicable Cancellation Date for the purposes of the QBRC "clock", for the first 4,000 tonnes (scheduled for load-out on 13 October 2020) would ordinarily be the Additional Actual Cancellation Date, namely 11 May 2020. However, because the metal owner's prior Cancellation contributes five days, the Deemed Cancellation Date will be five days later, namely 16 May 2020. Zero rent will become payable after 60 days (i.e. on 19 July 2020).
 - (j) The Deemed Cancellation Date, and hence the Applicable Cancellation Date for the purposes of the QBRC "clock", for the second 4,000 tonnes (scheduled for load-out on 14 October 2020) will be 17 May 2020.
 - (k) The Deemed Cancellation Date, and hence the Applicable Cancellation Date for the purposes of the QBRC "clock", for the final 2,000 tonnes (scheduled for load-out on 13 October 2016) will be 18 May 2020.
7. The LME, acting reasonably in its sole discretion, reserves the right, with or without notice, to adjust the parameters of the Queue Based Rent Cap (including the QBRC Threshold) or to suspend its application either on a market-wide basis or on a per-Warehouse or per-DP Warehouse basis where the LME considers that it is appropriate to do so in order to prevent abuse and/or preserve the orderly functioning of the market, or it is otherwise proportionate to do so. The power to act without notice will be reserved for urgent cases where any change would ordinarily be implemented on a temporary rather than a permanent basis.



8. For the avoidance of doubt, Warehouses may still enter into rent discount agreements with metal owners, provided that the maximum rates set out in this Section G are respected.

H) Review of LME policy for Warehouses

This policy will be reviewed from time to time.

I) General Definitions

"Additional Actual Cancellation Date" shall have the meaning given to it in paragraph G2.

"Additional Cancellation Amount" shall have the meaning given to it in paragraph G2.

"Additional Daily Metal" shall have the meaning given to it in paragraph C4.

"Affected DP Warehouse" shall have the meaning given to it in paragraph E3.

"Affecting Requests" shall have the meaning given to it in paragraph E5.

"Affecting Requestors" shall have the meaning given to it in paragraph E5.

"Aluminium Alloys" shall have the meaning given to it in paragraph C5.

"Applicable Cancellation Date" shall have the meaning given to it in paragraph G3.

"Authorised Warehouse" shall mean a warehouse storage facility operated by a Warehouse in a particular Delivery Point, which has been approved by the LME for the purposes of the Warehouse Agreement.

"Business Day" shall have the meaning given to it in paragraph E2.

"Calculation Period" shall have the meaning given to it in paragraph E2.

"Cancellation" shall mean the process by which a metal owner requests the termination of a Warrant, or consignment of Warrants, and the delivery of the underlying metal, and shall be deemed to take place at the point when the Formalities in respect of that request are completed.

"Cumulative Normal Minimum Load-Out" shall have the meaning given to it in paragraph E4.

"Cumulative Load-In" shall have the meaning given to it in paragraph E4.

"Daily Dominant Metal" shall have the meaning given to it in paragraph C4.



"Deemed Cancellation Date" shall have the meaning given to it in paragraphs G1 and G2.

"Deemed Load-Out Time" shall have the meaning given to it in paragraph C8.

"Delivery Point" shall mean a specific geographic area within which Authorised Warehouses are listed and approved by the LME for the issue of Warrants.

"Discharge Period" shall have the meaning given to it in paragraph E2.

"DP Warehouse" shall mean all the Authorised Warehouses of a particular Warehouse within a Delivery Point.

"Effective Date" shall have the meaning given to it in Section G of this policy.

"EXCOM" shall mean the Executive Committee of the LME.

"First Actual Cancellation Date" shall have the meaning given to it in paragraph G1.

"First Cancellation Amount" shall have the meaning given to it in paragraph G1.

"First Day Load-Out Amount" shall have the meaning given to it in paragraph G1.

"Formalities" shall mean all the formalities considered, in the LME's sole discretion, to be reasonably necessary to be completed by the metal owner to permit the load-out of metal, including: the request to terminate the Warrant, the request for load-out of the metal, the provision of shipping instructions, and the payment of applicable load-out charges.

"Group" shall mean, in relation to a company, any subsidiary or any holding company from time to time of that company, and any subsidiary from time to time of a holding company of that company. The terms "holding company" and "subsidiary" have the meanings given to them in section 1159 of the Companies Act 2006.

"Incremental Load-Out Requirement" shall have the meaning given to it in paragraph E4.

"LIFO Rule" shall mean the requirements set out in Section E of this policy.

"LME" or the "Exchange" shall mean The London Metal Exchange.

"LME Contract" shall mean a contract as defined by the LME Rulebook.

"Load-out" shall mean a delivery of metal out of the premises of an Authorised Warehouse that meets the requirements of this policy (including for the avoidance of doubt paragraph C9).

"Location" shall mean a geographic area capable of being a Delivery Point.



"Normal Daily Minimum Load-Out Rate" shall have the meaning given to it in paragraph E2.

"Premium Warrant" shall have the meaning given to it in paragraph D1.

"Queue" shall have the meaning given to it in paragraph C9.

"Queue Based Rent Cap" shall have the meaning given to it in Section G of this policy.

"Queue Threshold" shall have the meaning given to it in paragraph E1.

"Rent" shall mean the maximum rent published by the Warehouse each year in accordance with the provisions of the Warehouse Agreement.

"Re-warranted Metal" shall have the meaning given to it in paragraph E2.

"Second Day Load-Out Amount" shall have the meaning given to it in paragraph G1.

"Standard Warrant" shall have the meaning given to it in paragraph D1.

"Third Day Load-Out Amount" shall have the meaning given to it in paragraph G1.

"Warehouse" shall mean a warehouse company which has been approved by the LME and which has agreed to be bound by the terms and conditions applicable to all LME approved warehouses, as amended by the LME from time to time.

"Warehouse Agreement" shall mean the terms and conditions entered into between the Warehouse and the LME, as applicable to all LME listed Warehouses.

"Warehouse Requirements" shall have the meaning given to it in paragraph A4.

"Warrant" shall mean a warehouse warrant for the storage of metal, issued by a Warehouse and in a form approved by the LME.

**LME POLICY ON THE APPROVAL OF LOCATIONS AS DELIVERY POINTS,
REVISED [1 JUNE 2015 FEBRUARY 2020]**

A) Policy Criteria

- 1 For a new Location to be approved as a Delivery Point, the following criteria shall be met:
 - (a) For any particular metal subject to LME Contracts to be deliverable therein, the Location should be in an Area of Net Consumption and away from adjacent areas of production for that particular metal.
 - (b) The Location should be capable of becoming, a natural, logistically sound conduit for the passage of metal on to eventual consumption points:
 - (i) The Location should be positioned on the natural route (e.g. trade lanes which would exist without Authorised Warehouses) – current or potential if a consumption is believed to happen in the future (e.g. set-up of a new plant) - to the consumption centres that it serves. This is assessed, without limitation, to the quantity of metal going through the Location;
 - (ii) The Location should be connected to major trade lanes, allowing other consumption centres to be reached. This is assessed, without limitation, by reference to the number of deep sea connections (number of origins and destinations ("O/D") services, frequency of services, number of shipping lines serving the Location) and the volume handled by the Location (both break-bulk and containers).
 - (c) The Location should be, in the reasonable view of the LME, safe, well managed, politically and economically stable, commercially sensible, fiscally appropriate, legally sound and not subject to corruption.
 - (d) In the event of bankruptcy or insolvency of the Warehouse or other such contingency, there must be no restrictions placed upon owners of metal wishing to take possession of their individually identified metal and remove it from the Authorised Warehouse(s) (provided rent and handling charges are paid). This must be incorporated in the law of the jurisdiction in which the Location is situated.
 - (e) Metal stored in Authorised Warehouses is the subject of international banking finance activity and, as such, the LME will only approve Locations where it is satisfied that the international banking community accepts the fully negotiable nature of the warehouse receipts ("LME warrants") being on a par with already approved Delivery Points.



- (f) Indefinite storage of metals must be permitted in a secure customs warehousing regime wherein any LME listed brand of metal may be stored without liability for duties prior to customs clearance. Domestically produced metal and any metal previously customs cleared, and with any duty accounted for, must also be allowed to be stored in the same Authorised Warehouses as bonded metal. There must be no liability for taxes on transactions for metal held in such Authorised Warehouses, nor a need for the Warehouse to determine ownership of the metal whilst in store. There must also be no taxes on storage costs.

2 The LME will not usually be prepared to approve a Location where there would be only a single Warehouse in such Location. A Location must be capable of hosting more than one Warehouse. The LME reserves the right to delist a Delivery Point which no longer hosts a Warehouse.

3 Without limitation to LME's discretion, the LME may refuse to approve a Location as a Delivery Point where the Location does not comply with the criteria specified above or where the LME has reasonable concerns regarding the potential for the Location to cause an adverse reputational impact for the LME, group affiliates of the LME, or users of the facilities maintained by the LME or such group affiliates.

B) Criteria related to Working Practices and Facilities for Locations

- 1 It is required that there are a minimum of 3 working berths, private or public and accessible by each Warehouse, with a minimum water depth of 11 metres at all times.
- 2 The port must have the facilities available to be able to load 1500 tonnes per berth, per Weather Working Day. This standard has been set on the basis of aluminium ingots and, although the LME has an expectation that ports would be able to achieve higher rates for other metals, no specific separate standard has been set for them.
- 3 Standard working practice must be a minimum 8-hour working day (with labour normally available to work overtime if demand warrants) and on the basis of a 5-day working week.
- 4 Each Location must have container and break bulk terminals.
- 5 Rail connectivity is required in the US and in the following European countries: Germany, Belgium, Netherlands, Sweden. When considering an application to be a Delivery Point in a new country, the LME will carry out a specific study to determine if rail is required.
- 6 An Inland Location may be approved as a Delivery Point on a case by case basis and, if necessary, the criteria in paragraphs 1-5 above may be waived. Applications for Inland Locations to be Delivery Points shall be considered



with reference to the following criteria related to working practices and facilities for Locations:

- (a) Whether they are positioned on land trade lanes (i.e. metal naturally goes from production to consumption centres only through land transportation) with significant volumes;
 - (b) Barge and rail connectivity;
 - (c) In addition to connectivity to consumption centres in the Area, the existence of connectivity to major export ports of the relevant Area, through rail and barging;
 - (d) Minimum capacity of 4,500 tonnes per Weather Working Day, through a combination of rail and barging terminals accessible by each Warehouse.
- 7 The maximum geographical distance of the Location of an Authorised Warehouse from the appropriate water and rail terminals (when necessary) is to be established by the LME. The existing Delivery Point boundaries may be increased on a case by case basis in circumstances of shortage of storage capacity by small increments of driving distance and subject to reasonable transit time. The demonstration of shortage of storage capacity will have to be made by the applicant before being reviewed by the LME.
- 8 While there may be exceptions to the above criteria, such exceptions are expected to be rare.

C) Application process

- 1 Applications for approval as Delivery Points by the LME should comply with the following process:
- (a) The presentation of the initial Location application, with the supporting information requested, should be made by the port authority or (in exceptional cases) such other relevant authority controlling warehousing in the Location. If there is no such authority then an application may be made by a Warehouse.
 - (b) It should be noted that there is no set time scale for approving or otherwise any application due to the indeterminate time required to process all aspects of the application. The application process is structured with at least four gates, whereby each needs to be passed before proceeding to the next gate
 - (i) Gate 1: complete submission of all documents required by the LME to process the application and determine whether the basic criteria are satisfied;



- (ii) Gate 2: technical assessment by the LME based on the criteria listed in this policy;
 - (iii) Gate 3: committee input (Metal Committee giving non-binding opinion on the Area of Net Consumption and Warehousing Committee giving non-binding opinion on logistics connectivity and infrastructure); and
 - (iv) Gate 4: Final assessment by the LME and formal decision.
- (c) Should an application be accepted by the EXCOM, commencement of LME approved operations would not take place for a minimum of 90 days after Board approval and would be subject to applicant Warehouses being similarly approved.
- (d) A Location should have substantial logistical connections on international trading routes. It is the responsibility of the applicant to provide at least the following information:
 - (i) Statistical evidence of throughput tonnages of LME metals by means of contact with the metals trade, forwarding agents, fabricators, producers, warehouse companies, traders etc to support the application:
 - (A) Statistics on production and consumption as well as imports and exports in the Area;
 - (B) Major production plants and consumption and associated volumes in the Area; and
 - (C) Trade flows serviced (i.e., O/D served) with associated services in the Area.
 - (ii) Logistics connections:
 - (A) Maritime: number of short sea and deep sea connections, number of shipping lines calling at the port, frequency of services;
 - (B) Rail: frequency of service and time to access major consumption points; and
 - (C) If applicable, barge: frequency of services and time to access major consumption points.
 - (iii) Detail/data of the logistics support services of the Location:
 - (A) Container terminals, break-bulk terminals and rail terminals (including crane infrastructure);



- (B) Number, length and depth of berths (including draft for access e.g. river draft); and
 - (C) Number and capacity of rail terminals.
- (iv) Approximate percentage utilisation of services of road/rail/water (as applicable) for both inbound and outbound traffic in metals.
- (v) Logistics infrastructure:
 - (A) Estimation of number of available sheds that warehousing companies can use for LME storage operations; and
 - (B) Detailed maps / plans showing the outline of the Location evidencing the logistical connections and locations of short/long term warehouse facilities are required.
- (vi) If applicable, description of any potential or actual exercise of control in activities such as terminal operations, warehouse ownership, logistics operations within the port, etc and the anticipated impact on competition in relation to warehousing operations in the Location.
- (e) A description of the Location's work labour practices is required; and should include at least the following elements:
 - (i) Working / overtime hours;
 - (ii) Labour costs; and
 - (iii) Time to load truck / rail / container.
- (f) This should illustrate the degree of integrated warehousing/ forwarding/stevedoring activities and whether it/they are privately/ municipality run. Normal working hours and overtime potential should be explained so that the LME may gauge productivity in comparison with currently approved Delivery Points.
- (g) A description of matters relevant to the Location's corruption and bribery risk is required. This should describe in broad terms whether the Location has enacted, and whether it routinely enforces, laws relating to the corruption of Public Officials; whether demands for facilitation payments are commonly made by Public Officials in the Location; and (if relevant) what, if any, steps are underway or planned to address such issues.
- (h) The LME is entitled to request any external third party studies that it deems necessary to investigate any specific aspects, at the applicant's



expense. This diligence may cover, without limitation, at least the following areas:

- (i) Metal ownership – confirmation that:
 - (A) Warrants and warehouse receipts would be capable of being the document of title, and ownership of warrants can be transferred using LMEsword or any successor system; and
 - (B) Metal belonging to the owner can be removed in case of bankruptcy or insolvency of a potential applicant Warehouse, subject only to any outstanding rent and handling charges having been paid.
- (ii) Companies – confirmation that:
 - (A) Potential applicant Warehouses can be owned by foreign entities;
 - (B) Operations in foreign currency are allowed;
 - (C) There is no restriction on the repatriation of profits from the location.
- (iii) Taxes - confirmation that:
 - (A) The tax and duty free environment is appropriate in connection with transactions involving metal stored in the location, or on services provided in relation to the metal e.g. storage, ancillary services, stevedoring & handling;
 - (B) There would be no location duties and no time limit on storage of metal;
 - (C) Any seller / buyer who is not established in the territory of the country would not be obliged to have a tax registration or to submit a tax return solely on account of the trading of metal in warehouse; and
 - (D) Metal bound for export or moving between different Warehouses / Locations would not be liable to tax or duty.
- (iv) Others – confirmation that:
 - (A) There would be no conflict between LME requirements and insurance laws that preclude potential applicant Warehouses from obtaining the necessary cover under the Warehouse Agreement;



- (B) There would be no requirement to keep lists of metal owners;
 - (C) There should be no requirement to report sales of metals made within the Warehouse;
 - (D) There would be no embargo (other than an United Nations-related embargo) against origin countries for metals for which a location is seeking approval as a Delivery Point;
 - (E) There are no export license requirements;
 - (F) Domestic and foreign goods can be stored in the same warehouse environment; and
 - (G) Metals within the same (HS) harmonized system codes as LME listed brands will be treated in like manner as LME listed brands
- (i) The LME will need to be satisfied by its own members, warehousing and appropriate metals committees, professional advisers and independent research that each facet of the application is accurate before indicating acceptance in principle of a Location. At this stage it would be necessary for potential applicant Warehouses to be identified which would apply for LME approval, if this has not already been done.
- (j) The LME will report to the Warehousing Committee the number and identity of Delivery Point applicants by gate on a regular basis.

2 In the event that no Warehouse has been approved for a Delivery Point within six months of the LME's approval of that Delivery Point pursuant to this Section C:

- (a) the LME's approval of that Delivery Point shall lapse, unless (b) below applies;
- (b) where, prior to the expiry of such six month period:
- (i) a Warehouse has provided to the LME information regarding a proposed application to operate at such Delivery Point and the LME is satisfied that (i) such application will be provided within a reasonable period and (ii) it has sufficient information to determine that such application will be a substantive application submitted in good faith; or
 - (ii) where the LME, in its absolute discretion, otherwise determines it appropriate to do so,



the LME may, by written notice to the port authority (or, if applicable, other relevant authority), extend the period within which such application must be made before the approval of the Delivery Point shall lapse; and

(c) in the event that the LME's approval of the Delivery Point does lapse, the port authority (or, if applicable, other relevant authority) wishes such Location to be approved as a Delivery Point, such authority must submit a new application for such Location to be approved, in accordance with this Section C.

D) Continued compliance with policy and guidelines

- 1 In the event that an existing Delivery Point does not appear to continue to meet the LME's criteria, there will be an initial review by the LME and consultation with the Warehouse and the port authority in that Delivery Point.
- 2 If, after consultation the port authority is able to demonstrate that it will upgrade its facilities, transitional arrangements can be made to allow an acceptable length of time for completion and this would be determined on a case by case basis, according to the circumstances.
- 3 If, after consultation, the relevant port authority is unwilling or unable to upgrade the facilities or work practices to meet the LME's standards, the LME retains the right to limit the capacity in that Delivery Point or to delist it.
- 4 Where a Delivery Point's corruption risk changes, LME retains the right to limit the capacity in that Delivery Point or to delist it.
- 5 Generally speaking, implementation of capacity limits would, unless there are exceptional circumstances, be implemented over a reasonable period by imposing a ban on new warrants being issued and allowing natural wastage to bring levels down to the required tonnage. Similarly, delisting a Delivery Point would require a run down of stocks over a reasonable period of time by imposing a ban on the issuing of new warrants and natural wastage, followed by an eventual de-warranting of any remaining metal and its removal to another Delivery Point for re-warranting. In both these instances the LME would assess what implementation period would be reasonable on a case by case basis, taking into account all factors put forward in the consultation process, and it could be several years where the LME deems appropriate.
- 6 Delivery Points are, in particular, expected to continue to support the operation of multiple warehouse operators on a non-discriminatory basis. To the extent that a prospective operator of an Authorised Warehouse is of the view that they are prevented from establishing LME operations at a given Delivery Point, this may be reported to the Exchange, which will subsequently investigate the situation, mindful of relevant factors including those listed at paragraph A3 of the LME Policy on the Approval and Operation of Warehouses, paragraph A of this Policy, and applicable competition law.



E) Review of LME policy and guidelines for good delivery points

This policy and guidelines will be reviewed ~~at least on a biennial basis~~[from time to time](#).

F) Definitions

"Authorised Warehouse" shall mean a warehouse storage facility operated by a Warehouse in a particular Delivery Point, which has been approved by the LME for the purposes of the Warehouse Agreement.

"Area" shall mean a country, regions of large countries, or an aggregation of small countries with an integrated logistics land network as determined by the LME acting reasonably.

"Delivery Point" shall mean a specific geographic area within which warehouses are listed and approved by the LME for the issue of Warrants.

"EXCOM" shall mean the Executive Committee of the LME.

"Inland Location" means a geographic area away from all of (i) the sea; (ii) a deltaic area; or (iii) an estuarine area.

"LME" or the **"Exchange"** shall mean ~~the~~[The](#) London Metal Exchange.

"LME Contract" shall mean a contract as defined by the LME Rulebook.

"Location" shall mean a geographic area capable of being a Delivery Point.

"Metal Committee" shall mean the relevant LME metal committee, details of which are set out on the LME website www.lme.com.

"Net Consumption" shall mean a significant negative trade balance for the metal in question across two consecutive years.

"Public Official" means an official, whether elected or appointed, who holds a legislative, administrative or judicial position of any kind of a country or territory inside or outside the UK.

"Warehouse" shall mean a warehouse company which has been approved by the LME and which has agreed to be bound by the terms and conditions applicable to all LME approved warehouses, as amended by the LME from time to time.

"Warehouse Agreement" shall mean the terms and conditions entered into between the Warehouse and the LME, as applicable to all LME listed Warehouses.



"Warehousing Committee" shall mean the LME warehousing committee, details of which are set out on the LME website www.lme.com.

"Warrant" shall mean a warehouse warrant for the storage of metal, issued by a Warehouse and in a form approved by the LME.

"Weather Working Day" shall mean any day in which meteorological conditions permit normal operations.

Summary report: Litéra® Change-Pro 10.1.0.200 Document comparison done on 24/07/2019 16:42:40	
Style name: Default Style	
Intelligent Table Comparison: Active	
Original filename: Doc 1 6452999v1-LME Policy on the Approval of Locations as Delivery Points (Original)-LWDLIB01.DOC	
Modified filename: Doc 2 9537052v1-Appendix D LME Policy on Approval of Locations as Delivery Points-LWDLIB02.DOC	
Changes:	
<u>Add</u>	19
Delete	3
Move From	0
<u>Move To</u>	0
<u>Table Insert</u>	0
Table Delete	0
<u>Table moves to</u>	0
Table moves from	0
Embedded Graphics (Visio, ChemDraw, Images etc.)	0
Embedded Excel	0
Format changes	0
Total Changes:	22

LME POLICY ON THE APPROVAL OF LOCATIONS AS DELIVERY POINTS, REVISED [1 FEBRUARY 2020]

A) Policy Criteria

- 1 For a new Location to be approved as a Delivery Point, the following criteria shall be met:
 - (a) For any particular metal subject to LME Contracts to be deliverable therein, the Location should be in an Area of Net Consumption and away from adjacent areas of production for that particular metal.
 - (b) The Location should be capable of becoming, a natural, logistically sound conduit for the passage of metal on to eventual consumption points:
 - (i) The Location should be positioned on the natural route (e.g. trade lanes which would exist without Authorised Warehouses) – current or potential if a consumption is believed to happen in the future (e.g. set-up of a new plant) - to the consumption centres that it serves. This is assessed, without limitation, to the quantity of metal going through the Location;
 - (ii) The Location should be connected to major trade lanes, allowing other consumption centres to be reached. This is assessed, without limitation, by reference to the number of deep sea connections (number of origins and destinations ("O/D") services, frequency of services, number of shipping lines serving the Location) and the volume handled by the Location (both break-bulk and containers).
 - (c) The Location should be, in the reasonable view of the LME, safe, well managed, politically and economically stable, commercially sensible, fiscally appropriate, legally sound and not subject to corruption.
 - (d) In the event of bankruptcy or insolvency of the Warehouse or other such contingency, there must be no restrictions placed upon owners of metal wishing to take possession of their individually identified metal and remove it from the Authorised Warehouse(s) (provided rent and handling charges are paid). This must be incorporated in the law of the jurisdiction in which the Location is situated.
 - (e) Metal stored in Authorised Warehouses is the subject of international banking finance activity and, as such, the LME will only approve Locations where it is satisfied that the international banking community accepts the fully negotiable nature of the warehouse receipts ("LME warrants") being on a par with already approved Delivery Points.



- (f) Indefinite storage of metals must be permitted in a secure customs warehousing regime wherein any LME listed brand of metal may be stored without liability for duties prior to customs clearance. Domestically produced metal and any metal previously customs cleared, and with any duty accounted for, must also be allowed to be stored in the same Authorised Warehouses as bonded metal. There must be no liability for taxes on transactions for metal held in such Authorised Warehouses, nor a need for the Warehouse to determine ownership of the metal whilst in store. There must also be no taxes on storage costs.
- 2 The LME will not usually be prepared to approve a Location where there would be only a single Warehouse in such Location. A Location must be capable of hosting more than one Warehouse. The LME reserves the right to delist a Delivery Point which no longer hosts a Warehouse.
- 3 Without limitation to LME's discretion, the LME may refuse to approve a Location as a Delivery Point where the Location does not comply with the criteria specified above or where the LME has reasonable concerns regarding the potential for the Location to cause an adverse reputational impact for the LME, group affiliates of the LME, or users of the facilities maintained by the LME or such group affiliates.

B) Criteria related to Working Practices and Facilities for Locations

- 1 It is required that there are a minimum of 3 working berths, private or public and accessible by each Warehouse, with a minimum water depth of 11 metres at all times.
- 2 The port must have the facilities available to be able to load 1500 tonnes per berth, per Weather Working Day. This standard has been set on the basis of aluminium ingots and, although the LME has an expectation that ports would be able to achieve higher rates for other metals, no specific separate standard has been set for them.
- 3 Standard working practice must be a minimum 8-hour working day (with labour normally available to work overtime if demand warrants) and on the basis of a 5-day working week.
- 4 Each Location must have container and break bulk terminals.
- 5 Rail connectivity is required in the US and in the following European countries: Germany, Belgium, Netherlands, Sweden. When considering an application to be a Delivery Point in a new country, the LME will carry out a specific study to determine if rail is required.
- 6 An Inland Location may be approved as a Delivery Point on a case by case basis and, if necessary, the criteria in paragraphs 1-5 above may be waived. Applications for Inland Locations to be Delivery Points shall be considered



with reference to the following criteria related to working practices and facilities for Locations:

- (a) Whether they are positioned on land trade lanes (i.e. metal naturally goes from production to consumption centres only through land transportation) with significant volumes;
 - (b) Barge and rail connectivity;
 - (c) In addition to connectivity to consumption centres in the Area, the existence of connectivity to major export ports of the relevant Area, through rail and barging;
 - (d) Minimum capacity of 4,500 tonnes per Weather Working Day, through a combination of rail and barging terminals accessible by each Warehouse.
- 7 The maximum geographical distance of the Location of an Authorised Warehouse from the appropriate water and rail terminals (when necessary) is to be established by the LME. The existing Delivery Point boundaries may be increased on a case by case basis in circumstances of shortage of storage capacity by small increments of driving distance and subject to reasonable transit time. The demonstration of shortage of storage capacity will have to be made by the applicant before being reviewed by the LME.
- 8 While there may be exceptions to the above criteria, such exceptions are expected to be rare.

C) Application process

- 1 Applications for approval as Delivery Points by the LME should comply with the following process:
- (a) The presentation of the initial Location application, with the supporting information requested, should be made by the port authority or (in exceptional cases) such other relevant authority controlling warehousing in the Location. If there is no such authority then an application may be made by a Warehouse.
 - (b) It should be noted that there is no set time scale for approving or otherwise any application due to the indeterminate time required to process all aspects of the application. The application process is structured with at least four gates, whereby each needs to be passed before proceeding to the next gate
 - (i) Gate 1: complete submission of all documents required by the LME to process the application and determine whether the basic criteria are satisfied;



- (ii) Gate 2: technical assessment by the LME based on the criteria listed in this policy;
 - (iii) Gate 3: committee input (Metal Committee giving non-binding opinion on the Area of Net Consumption and Warehousing Committee giving non-binding opinion on logistics connectivity and infrastructure); and
 - (iv) Gate 4: Final assessment by the LME and formal decision.
- (c) Should an application be accepted by the EXCOM, commencement of LME approved operations would not take place for a minimum of 90 days after Board approval and would be subject to applicant Warehouses being similarly approved.
- (d) A Location should have substantial logistical connections on international trading routes. It is the responsibility of the applicant to provide at least the following information:
 - (i) Statistical evidence of throughput tonnages of LME metals by means of contact with the metals trade, forwarding agents, fabricators, producers, warehouse companies, traders etc to support the application:
 - (A) Statistics on production and consumption as well as imports and exports in the Area;
 - (B) Major production plants and consumption and associated volumes in the Area; and
 - (C) Trade flows serviced (i.e., O/D served) with associated services in the Area.
 - (ii) Logistics connections:
 - (A) Maritime: number of short sea and deep sea connections, number of shipping lines calling at the port, frequency of services;
 - (B) Rail: frequency of service and time to access major consumption points; and
 - (C) If applicable, barge: frequency of services and time to access major consumption points.
 - (iii) Detail/data of the logistics support services of the Location:
 - (A) Container terminals, break-bulk terminals and rail terminals (including crane infrastructure);



- (B) Number, length and depth of berths (including draft for access e.g. river draft); and
 - (C) Number and capacity of rail terminals.
- (iv) Approximate percentage utilisation of services of road/rail/water (as applicable) for both inbound and outbound traffic in metals.
- (v) Logistics infrastructure:
 - (A) Estimation of number of available sheds that warehousing companies can use for LME storage operations; and
 - (B) Detailed maps / plans showing the outline of the Location evidencing the logistical connections and locations of short/long term warehouse facilities are required.
- (vi) If applicable, description of any potential or actual exercise of control in activities such as terminal operations, warehouse ownership, logistics operations within the port, etc and the anticipated impact on competition in relation to warehousing operations in the Location.
- (e) A description of the Location's work labour practices is required; and should include at least the following elements:
 - (i) Working / overtime hours;
 - (ii) Labour costs; and
 - (iii) Time to load truck / rail / container.
- (f) This should illustrate the degree of integrated warehousing/ forwarding/stevedoring activities and whether it/they are privately/ municipality run. Normal working hours and overtime potential should be explained so that the LME may gauge productivity in comparison with currently approved Delivery Points.
- (g) A description of matters relevant to the Location's corruption and bribery risk is required. This should describe in broad terms whether the Location has enacted, and whether it routinely enforces, laws relating to the corruption of Public Officials; whether demands for facilitation payments are commonly made by Public Officials in the Location; and (if relevant) what, if any, steps are underway or planned to address such issues.
- (h) The LME is entitled to request any external third party studies that it deems necessary to investigate any specific aspects, at the applicant's



expense. This diligence may cover, without limitation, at least the following areas:

- (i) Metal ownership – confirmation that:
 - (A) Warrants and warehouse receipts would be capable of being the document of title, and ownership of warrants can be transferred using LMEsword or any successor system; and
 - (B) Metal belonging to the owner can be removed in case of bankruptcy or insolvency of a potential applicant Warehouse, subject only to any outstanding rent and handling charges having been paid.
- (ii) Companies – confirmation that:
 - (A) Potential applicant Warehouses can be owned by foreign entities;
 - (B) Operations in foreign currency are allowed;
 - (C) There is no restriction on the repatriation of profits from the location.
- (iii) Taxes - confirmation that:
 - (A) The tax and duty free environment is appropriate in connection with transactions involving metal stored in the location, or on services provided in relation to the metal e.g. storage, ancillary services, stevedoring & handling;
 - (B) There would be no location duties and no time limit on storage of metal;
 - (C) Any seller / buyer who is not established in the territory of the country would not be obliged to have a tax registration or to submit a tax return solely on account of the trading of metal in warehouse; and
 - (D) Metal bound for export or moving between different Warehouses / Locations would not be liable to tax or duty.
- (iv) Others – confirmation that:
 - (A) There would be no conflict between LME requirements and insurance laws that preclude potential applicant Warehouses from obtaining the necessary cover under the Warehouse Agreement;



- (B) There would be no requirement to keep lists of metal owners;
 - (C) There should be no requirement to report sales of metals made within the Warehouse;
 - (D) There would be no embargo (other than an United Nations-related embargo) against origin countries for metals for which a location is seeking approval as a Delivery Point;
 - (E) There are no export license requirements;
 - (F) Domestic and foreign goods can be stored in the same warehouse environment; and
 - (G) Metals within the same (HS) harmonized system codes as LME listed brands will be treated in like manner as LME listed brands
- (i) The LME will need to be satisfied by its own members, warehousing and appropriate metals committees, professional advisers and independent research that each facet of the application is accurate before indicating acceptance in principle of a Location. At this stage it would be necessary for potential applicant Warehouses to be identified which would apply for LME approval, if this has not already been done.
 - (j) The LME will report to the Warehousing Committee the number and identity of Delivery Point applicants by gate on a regular basis.
- 2 In the event that no Warehouse has been approved for a Delivery Point within six months of the LME's approval of that Delivery Point pursuant to this Section C:
- (a) the LME's approval of that Delivery Point shall lapse, unless (b) below applies;
 - (b) where, prior to the expiry of such six month period:
 - (i) a Warehouse has provided to the LME information regarding a proposed application to operate at such Delivery Point and the LME is satisfied that (i) such application will be provided within a reasonable period and (ii) it has sufficient information to determine that such application will be a substantive application submitted in good faith; or
 - (ii) where the LME, in its absolute discretion, otherwise determines it appropriate to do so,



the LME may, by written notice to the port authority (or, if applicable, other relevant authority), extend the period within which such application must be made before the approval of the Delivery Point shall lapse; and

- (c) in the event that the LME's approval of the Delivery Point does lapse, the port authority (or, if applicable, other relevant authority) wishes such Location to be approved as a Delivery Point, such authority must submit a new application for such Location to be approved, in accordance with this Section C.

D) Continued compliance with policy and guidelines

- 1 In the event that an existing Delivery Point does not appear to continue to meet the LME's criteria, there will be an initial review by the LME and consultation with the Warehouse and the port authority in that Delivery Point.
- 2 If, after consultation the port authority is able to demonstrate that it will upgrade its facilities, transitional arrangements can be made to allow an acceptable length of time for completion and this would be determined on a case by case basis, according to the circumstances.
- 3 If, after consultation, the relevant port authority is unwilling or unable to upgrade the facilities or work practices to meet the LME's standards, the LME retains the right to limit the capacity in that Delivery Point or to delist it.
- 4 Where a Delivery Point's corruption risk changes, LME retains the right to limit the capacity in that Delivery Point or to delist it.
- 5 Generally speaking, implementation of capacity limits would, unless there are exceptional circumstances, be implemented over a reasonable period by imposing a ban on new warrants being issued and allowing natural wastage to bring levels down to the required tonnage. Similarly, delisting a Delivery Point would require a run down of stocks over a reasonable period of time by imposing a ban on the issuing of new warrants and natural wastage, followed by an eventual de-warranting of any remaining metal and its removal to another Delivery Point for re-warranting. In both these instances the LME would assess what implementation period would be reasonable on a case by case basis, taking into account all factors put forward in the consultation process, and it could be several years where the LME deems appropriate.
- 6 Delivery Points are, in particular, expected to continue to support the operation of multiple warehouse operators on a non-discriminatory basis. To the extent that a prospective operator of an Authorised Warehouse is of the view that they are prevented from establishing LME operations at a given Delivery Point, this may be reported to the Exchange, which will subsequently investigate the situation, mindful of relevant factors including those listed at paragraph A3 of the LME Policy on the Approval and Operation of Warehouses, paragraph A of this Policy, and applicable competition law.



E) Review of LME policy and guidelines for good delivery points

This policy and guidelines will be reviewed from time to time.

F) Definitions

"Authorised Warehouse" shall mean a warehouse storage facility operated by a Warehouse in a particular Delivery Point, which has been approved by the LME for the purposes of the Warehouse Agreement.

"Area" shall mean a country, regions of large countries, or an aggregation of small countries with an integrated logistics land network as determined by the LME acting reasonably.

"Delivery Point" shall mean a specific geographic area within which warehouses are listed and approved by the LME for the issue of Warrants.

"EXCOM" shall mean the Executive Committee of the LME.

"Inland Location" means a geographic area away from all of (i) the sea; (ii) a deltaic area; or (iii) an estuarine area.

"LME" or the **"Exchange"** shall mean The London Metal Exchange.

"LME Contract" shall mean a contract as defined by the LME Rulebook.

"Location" shall mean a geographic area capable of being a Delivery Point.

"Metal Committee" shall mean the relevant LME metal committee, details of which are set out on the LME website www.lme.com.

"Net Consumption" shall mean a significant negative trade balance for the metal in question across two consecutive years.

"Public Official" means an official, whether elected or appointed, who holds a legislative, administrative or judicial position of any kind of a country or territory inside or outside the UK.

"Warehouse" shall mean a warehouse company which has been approved by the LME and which has agreed to be bound by the terms and conditions applicable to all LME approved warehouses, as amended by the LME from time to time.

"Warehouse Agreement" shall mean the terms and conditions entered into between the Warehouse and the LME, as applicable to all LME listed Warehouses.



"Warehousing Committee" shall mean the LME warehousing committee, details of which are set out on the LME website www.lme.com.

"Warrant" shall mean a warehouse warrant for the storage of metal, issued by a Warehouse and in a form approved by the LME.

"Weather Working Day" shall mean any day in which meteorological conditions permit normal operations.

DRAFT FOR CONSULTATION - 25 July 2019**Terms and conditions applicable to all LME listed warehouse companies****1 Conditions for and entitlements of listing****1.1 Application**

To become ~~a~~an LME listed warehouse company, a warehouse company shall:

- 1.1.1 execute the agreement of which these terms and conditions form a part (as contemplated by the definition of "this Agreement");
- 1.1.2 duly complete the forms prescribed by the Exchange attached as Schedule A and B hereto and pay any initial listing fees prescribed by the Exchange; and
- 1.1.3 comply with regulation 2.2 of the LMEsword Regulations.

1.2 Financial status including capital

~~1.2.1 Each Warehouse must be adequately capitalised at all times at levels determined from time to time by the Exchange and notified to all Warehouses by way of periodical circulars.~~

1.2.1 Without prejudice to Clause 7.3, the Warehouse must:

- (i) no later than 210 days after the end of each of its financial years, provide the Exchange with:
 - (a) its annual audited accounts; or
 - (b) the annual audited consolidated accounts of the Group,for that financial year;
- (ii) no earlier than 60 days, and no later than 30 days, prior to the start of each of its financial years, provide the Exchange with a cash flow forecast for that financial year,

and the Warehouse must exercise due skill, care and diligence in preparing such accounts and forecasts, and shall ensure that such accounts and forecasts are based on appropriate financial information and comply with the Accounting Principles (and for the avoidance of doubt (and without prejudice to (iv) below), the Warehouse shall not be in breach of (i) or (ii) above if any such account or forecast is not accurate at any point in time after its submission to the Exchange due to, and to the extent of, any change in the circumstances of the Warehouse or its Group during the period between submission and that point in time, that was not foreseeable or prudent to account-for having regard to the level of due skill, care and diligence required by this clause);

- (iii) as soon as practicable (but in any event within seven days) upon request at any time, provide the Exchange with any information and documents (including management accounts) relating to the financial status (including capital and/or cash flow), insurance arrangements, status, assets, business and/or operations of the Warehouse, the Group or any member of the Group; and

- (iv) immediately notify the Exchange if at any time:
 - (a) it is or becomes Insolvent, or it is likely to become Insolvent; and/or
 - (b) there has been a material adverse change in the assets, business or financial condition of the Warehouse, the Group or any member of the Group since the date of this Agreement.

1.2.2 The Exchange shall publish the standards by which it determines capital adequacy for LME listed warehouse companies, and may from time to time publish revisions of those standards. Without prejudice to Clause 1.2.4, the Warehouse shall ensure that it is adequately capitalised at all times in accordance with the most recent of such published standards.

1.2.3 ~~1.2.2~~ The Exchange shall assess, against such published standards, whether ~~at the~~ Warehouse's available capital is adequate by using ~~the most recent audited accounts of the Warehouse and applying generally accepted accounting principles to determine the extent to which net assets exceed net liabilities. The Exchange shall, from time to time, publish the basis on which it determines capital adequacy for Warehouses~~ such information as is available to the Exchange. In assessing whether ~~at the~~ Warehouse's available capital is adequate, the Exchange ~~shall~~ may, at its discretion, disregard what are, in its view, immaterial or temporary failures to meet ~~the capital adequacy requirements~~ such published standards.

1.2.4 ~~1.2.3 In the event that~~ if at any time the Exchange is not satisfied with the Warehouse's capital, cash flow or other aspect of its financial status ~~or the insurance arrangements of any Warehouse, it may require a performance bond issued by a bank or insurance company as it considers suitable for such sums and on such terms and conditions as it may determine. However, where the deficiencies in the financial status or the insurance arrangements of any Warehouse are, in the view of the Exchange, not likely materially to prejudice the Warehouse's ability to perform its obligations as an LME listed warehouse company and are capable of remedy, the Exchange may allow 7 Business Days for the Warehouse to rectify its financial status and/or insurance arrangements before requiring such a performance bond.~~ the Exchange may increase the level of capitalisation to be maintained by the Warehouse (to a level in excess of that required pursuant to Clause 1.2.2) and the Warehouse shall as soon as practicable (but in any event within seven days) increase its capital accordingly and provide the Exchange with evidence of the increase.

1.2.5 Notwithstanding Clauses 1.2.1 to 1.2.4, and without prejudice to Clause 9.4.1 (including Clause 9.4.1.2), if at any time:

- (i) the Exchange is not satisfied with:
 - (a) the capital, cash flow and/or any other aspect of the financial status of the Warehouse, the Group or any member of the Group;
 - (b) any aspect of the insurance arrangements of the Warehouse, the Group or any member of the Group; or

- (c) any other aspect of the status, assets, business or operations of the Warehouse, the Group or any member of the Group; or
- (ii) the Exchange determines that the Warehouse, the Group or any member of the Group is Insolvent, or is likely to become Insolvent,

the Exchange may:

- (A) require the Warehouse to provide the Exchange with credit protection in the form of a performance bond or cash cover, and the provisions of Clause 1.2.6 shall apply to such credit protection; and/or
- (B) suspend the entitlement of the Warehouse to issue further Warrants, and upon receiving notice of such suspension the Warehouse shall immediately stop issuing further Warrants.

1.2.6 Terms relating to credit protection provided by Warehouses

- (i) The Exchange shall determine:
 - (a) whether the credit protection is in the form of a performance bond or cash cover (or a mix of both);
 - (b) the amount and currency(ies) of the credit protection;
 - (c) in the case of a performance bond:
 - (I) its expiry date;
 - (II) its terms; and
 - (III) the conditions applying to the bank or insurance company that issues it (including the location and credit rating of the issuer).
- (ii) “performance bond” refers to any on demand independent payment instrument issued by a bank or insurance company in favour of the Exchange, including performance bonds, standby letters of credit, bank guarantees and on-demand guarantees.
- (iii) “cash cover” refers to money paid to the Exchange and treated by the Exchange as its own funds, and constitutes a debt arrangement between the Exchange and the Warehouse (subject to the terms of this Agreement), and not a security arrangement (meaning neither the Warehouse nor any third party shall have any proprietary interest in such money or funds); cash cover shall not accrue interest.
- (iv) The Warehouse shall at its own cost provide the relevant credit protection as soon as practicable (but in any event within seven days) upon the Exchange requiring it in accordance with Clause 1.2.5.
- (v) The Warehouse shall at its own cost provide additional credit protection (and/or increase or extend any performance bond) as soon as practicable (but in any event within seven days) upon the Exchange

requiring it at any time, including if the Exchange requires additional credit protection sufficient to cover the number of warrants issued or expected to be issued by the Warehouse.

(vi) If the Exchange informs the Warehouse at any time that it is not satisfied with the identity or financial status of the bank or insurance company that issued a performance bond, the Warehouse shall at its own cost as soon as practicable (but in any event within seven days) upon the Exchange requiring it provide a replacement performance bond from a bank or insurance company with whom the Exchange is satisfied, and upon such replacement being issued, the Exchange shall release the replaced performance bond.

(vii) The Exchange may at any time and from time to time make demands on any performance bond, and the proceeds received by the Exchange shall constitute cash cover. Without limiting the generality of the foregoing, the Exchange may call on a performance bond if at any time the Exchange has concerns about the financial status of the issuer or if the expiry date of the performance bond is imminent.

(viii) The Exchange may at any time use any cash cover:

- (a) to settle any sum due by the Warehouse to the Exchange;
- (b) to settle any sum which the Exchange believes is due by the Warehouse to any third party (including any landlord or warrant holder);
- (c) in any way which the Exchange determines is necessary or desirable to achieve or facilitate the release to or retrieval by any warrant holder of any metal held by the Warehouse;
- (d) to meet the costs (including legal costs) incurred by any warrant holder of metal held by the Warehouse in obtaining the release of that metal, in retrieving that metal and/or in moving that metal to another location or warehouse; and/or
- (e) to provide compensation to any warrant holder for the operational and other burdens suffered as a result of that warrant holder retrieving or trying to retrieve any metal held by the Warehouse.

(ix) If at any time the Exchange determines that none of the grounds set out in Clause 1.2.5(i) and (ii) exists, the Exchange shall:

- (a) release each performance bond and pay a sum to the Exchange equal to any cash cover after taking account of any amount used by the Exchange as contemplated by paragraph (viii) above; and/or
- (b) lift the suspension on the Warehouse issuing new Warrants.

(x) The Warehouse shall promptly and at its own cost take any step and sign any document in relation to any credit protection or any other

aspect of clause 1.2.5 and this clause 1.2.6 as the Exchange may at any time and from time to time require.

- (xi) The Exchange shall act reasonably and in good faith in relation to any credit protection or any other aspect of clause 1.2.5 and this clause 1.2.6.
- (xii) Notwithstanding any other provision of this Agreement (including paragraph (xi) above and paragraph (xiii) below), the Warehouse agrees that the Exchange shall not be liable to the Warehouse for any losses the Warehouse may suffer as a result of it providing any such credit protection, the Exchange calling on or using any such credit protection, provided that any such loss is not caused by the gross negligence or wilful default of the Exchange.
- (xiii) The Warehouse acknowledges that if the Exchange were to exercise any of its rights pursuant to the Rules and/or this Agreement to Delist or Suspend the Warehouse, or to call for additional capital or credit protection in the form of cash cover or performance bonds, circumstances may at that time be such as to cause financial problems, or exacerbate existing financial problems, for the Warehouse, and may cause or quicken the Warehouse becoming Insolvent, and the Warehouse to the fullest extent permitted by applicable law waives any claims that it may have against the Exchange in relation thereto.

1.3 London Agent

- 1.3.1 ~~Each~~The Warehouse must appoint and maintain at all times an agent in or, in the opinion of the Exchange, sufficiently proximate to the City of London (a “**London Agent**”) to act on its behalf, to carry out certain of its obligations under this Agreement and the LMEsword Regulations, and, if the Warehouse is not incorporated in England and Wales, also to act as its agent for service of process.
- 1.3.2 A London Agent may be a person independent from the Warehouse or be a branch or affiliated company of the Warehouse.
- 1.3.3 The Warehouse must obtain the prior approval of the Exchange to the appointment, or any change in the appointment, of its London Agent from time to time.
- 1.3.4 ~~Each~~The Warehouse shall be responsible for all of the acts and omissions of its London Agent undertaken in its capacity as such. The Exchange and other persons shall be entitled to assume ~~a~~the Warehouse’s London Agent acts with the full authority of the Warehouse until such time as the Exchange has received written notice from the Warehouse that the London Agent has ceased to act as such. This term shall not affect the rights and obligations of the Warehouse and its London Agent inter se.

1.4 LMEsword

~~Each~~The Warehouse must comply, and procure that its London Agent complies, with the LMEsword Regulations and Operating Procedures, which shall insofar as they relate to the Warehouse or its London Agent be deemed to be incorporated into this Agreement.

1.5 Restrictions

1.5.1 An Authorised Warehouse may be used by only one LME authorised warehouse operator and to the extent that it is used for the storage of any metals which are permitted to be the subject of a Contract, may not also be used to store such metals which are deliverable on any other exchanges.

1.5.2 ~~A~~The Warehouse may not deal directly or indirectly in Contracts, and shall observe such other requirements contained in Relevant Law and Regulation, and any Exchange notice relating to the separation of ~~Warehouses~~LME listed warehouse operators from Members and the maintenance of confidentiality in respect of price sensitive and customer confidential information.

1.6 Description of Warehouse

~~Each~~The Warehouse may, following its approval by the Exchange as a listed warehouse company, describe itself as an “LME listed warehouse company” and its Authorised ~~Warehouse~~Warehouses as “LME listed warehouses”, for as long as it retains its listed status as provided for herein.

1.7 Availability of Rules

~~Warehouses shall~~The Warehouse may from at any time be sent a copy of the Rules and LMEsword Regulations and Operating Procedures as amended from time to time. ~~Warehouses~~The Warehouse shall ensure that ~~their~~its London Agent obtains and keeps up to date ~~their~~its own copies of such documents direct from the Exchange and is also provided with a copy of this Agreement. Where the Warehouse operates in more than one location it shall ensure that each location is kept up to date with changes to the Rules, the LMEsword Regulations and Operating Procedures and this Agreement.

2 Issue of Warrants

2.1 Metal delivery

2.1.1 When receiving metal for placing on Warrant, ~~a~~the Warehouse need not undertake an assay of the metal itself but must carefully undertake a visual inspection of the metal and all supporting documentation and, if the metal or the supporting documentation is in any way patently sub-standard or anomalous the Warehouse must not issue a Warrant until any such shortcoming has been remedied. Without limitation to the foregoing, metal will be deemed to be patently sub-standard if:

2.1.1.1 there is broken or visibly corroded strapping which could make the bundle of metal unsafe to handle;

2.1.1.2 there is visible contamination of metal;

2.1.1.3 there is inconsistent branding of metal (for instance, where all of the metal or some of the metal is patently not an LME brand or where different LME brands have been visibly mixed within a bundle); and

2.1.1.4 the supporting documentation and paperwork does not accord with the Rules.

For the avoidance of doubt, a Warehouse is not required to break bundles or inspect metal ingots hidden from view within bundles, unless there are visible signs indicating or suggesting a defect in quality within a bundle or the Warehouse is in any way aware that there is a defect within a bundle not apparent from a visual inspection.

- 2.1.2 All metal delivered for placing on Warrant must be weighed by Warehouse personnel on equipment which is regularly tested for accuracy in accordance with Clause 7.4.3, and must conform to the relevant weights for those metals as outlined in the Special Contract Rules for Metals.
- 2.1.3 Subject to Clauses 2.1.1 and 2.1.2, no Warrant may be issued if the metal or supporting documentation does not conform to the relevant Special Contract Rules for Metals.
- 2.1.4 A Warrant may only be issued by the Warehouse or its London Agent when the metal in question is stored in an Authorised Warehouse of the Warehouse.

2.2 Form of Warrant

- 2.2.1 From the date prescribed by the Exchange, all Warrants must be issued in accordance with the LMEsword Regulations.
- 2.2.2 ~~Each~~The Warehouse shall ensure that the form of the Warrant is such that the requirements set out in the Special Contract Rules for Metals, this Clause 2.2 and Clause 2.3 are satisfied.
- 2.2.3 Each Warrant must have a clearly identifiable space for endorsements to allow for transfers of ownership to a named transferee and also have a clearly identifiable space for endorsement of rents paid to be marked on the Warrant.
- 2.2.4 Each Warrant must show the applicable rent rate and the date of commencement of the obligation to pay rent which must be the same as the date of issue of the Warrant.
- 2.2.5 Each Warrant must include a term stating that responsibility for insuring the metal subject to the Warrant is that of the holder of the Warrant.
- 2.2.6 Each Warrant should be numbered consecutively wherever practicable.
- 2.2.7 No Warrant may be issued by a Warehouse until the printed format which the Warehouse proposes to adopt has been delivered to and approved by the Exchange. Any proposed change to such format must similarly be approved by the Exchange prior to its use.
- 2.2.8 Each Warrant must be signed by an authorised signatory of the Warehouse or its London Agent.
- 2.2.9 Each Warrant shall state that the Warehouse's standard terms of business are available on request or are printed on the reverse side of the Warrant.

2.3 Legal status of Warrants

- 2.3.1 Each Warrant must be transferable by delivery or by delivery and endorsement by the transferor and without requiring registration, attornment or notice to the Warehouse. A transferee of a Warrant shall be treated by the Warehouse as having the benefit of the contract of storage of the metal to which the Warrant relates and shall be bound by the Warehouse's standard terms of business insofar as they do not conflict with the Rules, the LMEsword Regulations or the Operating Procedures.
- 2.3.2 Each Warrant must be a document of title (or local equivalent concept) that is:
- (i) (where (ii) does not apply) established in accordance with the law of the country in which the Warehouse is situated, or in accordance with such other law recognised as applicable to the Warrant by such law; or
 - (ii) where the Exchange so specifies by written notice, is subject to and expressed on the face of the Warrant to be governed by, either:
 - (a) English law; or
 - (b) such other such other law as the Exchange may so specify.
- 2.3.3 It must be a term of issue of each Warrant that the metal which it represents shall only be delivered up to the holder by the Warehouse on the Warrant being presented to the Warehouse or its London Agent or, in the event of a Warrant being lost, stolen, damaged or destroyed, against the provision of an indemnity substantially in the form prescribed by the Exchange from time to time and attached as the Appendix to Schedule A.
- 2.3.4 Subject only to Clause 2.3.5, a Warrant must be unlimited as to duration and remain valid until presented for cancellation to the Warehouse or its London Agent or otherwise cancelled in accordance with this Agreement and the LMEsword Regulations.
- 2.3.5 A Warehouse may have a right of retention in respect of metal under Warrant for unpaid rent in respect of the metal and other charges owed by the current holder of the Warrant but not otherwise and, in particular, without limitation, no person may have any right of retention in respect of charges owed by any other person.
- 2.3.6 Nothing in Clause 2.3.5 shall require the Warehouse to oppose any legally enforceable court order in respect of metal which is binding on the Warehouse and which prevents it from delivering stored metal to the Warrant holder, provided that the Warehouse immediately notifies the Exchange of the existence of such a court order as soon as it becomes aware of the same.

2.4 Warehouse's liability to Warrant holders

The Warehouse is required to give undertakings to each Warrant holder from time to time in respect of the metal under relevant Warrant that:

- 2.4.1 the Warehouse has complied with all Relevant Law and Regulation (including, ~~without limitation,~~ Clause 2.1 of this Agreement) in receiving that metal and placing it on Warrant;

2.4.2 the Warehouse will comply with the requirements of this Agreement concerning the storage of metal; and

2.4.3 the Warehouse is not aware of any latent defects in the metal.

It is a requirement of this Agreement that the undertakings referred to in Clauses 2.4.1 to 2.4.3 above are incorporated without delay into the Warehouse's written contract of storage with each Warrant holder. Pending such incorporation, the relevant undertakings shall be deemed to be incorporated into each such contract of storage immediately upon such contract arising.

3 Replacement of Warrants

3.1 Entitlement to replace

A Warehouse shall issue a replacement Warrant in accordance with this Agreement and the LMEsword Regulations and Operating Procedures in the following circumstances:

3.1.1 where a Warrant has been lost, stolen, destroyed, or damaged, on completion of its normal procedures and against delivery to it of an indemnity in the form prescribed by the Exchange from time to time and attached as the Appendix to Schedule A;

3.1.2 where any details on a Warrant which are capable of amendment in accordance with the LMEsword Regulations and Operating Procedures ("Amendable Details") require amendment, following the amendment of the electronic details of the Warrant in LMEsword in accordance with the LMEsword Regulations and against delivery to it of the original Warrant; and

3.1.3 where the space on a Warrant for endorsement of rent paid up and/or for transfers is full and against delivery to it of the original Warrant.

3.2 Entitlement to move metal

A Warehouse may move metal under Warrant between its own Authorised Warehouses within the same listed location at its own risk and expense subject to complying with Clause 3.3.

3.3 Notification of the Exchange

3.3.1 On the day that a Warehouse or its London Agent is notified or becomes aware of any circumstance which might reasonably cause suspicion that (a) a Warrant, or any underlying metal to which a Warrant relates, may have been lost, stolen, destroyed or damaged; or (b) the Amendable Details on a Warrant may require amendment; or (c) a Warrant may require cancellation in accordance with Clause 4.3, it shall forthwith:

(i) notify the Exchange by ~~fax or~~ email (or by such other means as the Exchange may prescribe from time to time) to the Exchange's Physical Operations Department; and

(ii) promptly investigate the circumstance.

3.3.2 The Warehouse will regularly update the Exchange on the investigation and report all findings to the Exchange.

- 3.3.3** On the day that a Warehouse or its London Agent is notified or becomes aware that (a) a Warrant, or any underlying metal to which a Warrant relates, has been lost, stolen, destroyed or damaged; or (b) the Amendable Details on a Warrant require amendment; or (c) a Warrant requires cancellation in accordance with Clause 4.3, it shall forthwith notify the Exchange by ~~fax or~~ email (or by such other means as the Exchange may prescribe from time to time) to the Exchange's Physical Operations Department containing full details thereof, including the following:
- 3.3.3.1** the date and details of loss or damage to or other matter affecting the metal or Warrant;
 - 3.3.3.2** the Warrant number(s);
 - 3.3.3.3** date of the Warrant;
 - 3.3.3.4** brand and shape of metal; and
 - 3.3.3.5** the quantity of metal (if any) missing, damaged, or otherwise affected.
- 3.3.4** The Warehouse shall keep the Exchange updated at all times and in addition take all such other steps, such as (without limitation) immediately notifying and cooperating with police authorities and insurers, as is necessary to protect the owner of the metal in question and assist with the orderly operation of the market.
- 3.3.5** Where a Warrant that requires replacement or cancellation is not lodged with the Depository, the Warehouse shall take all reasonable steps to identify the holder of the Warrant and notify it of the event and require that the Warrant be delivered up for replacement.

3.4 Liability for replacement Warrants

- 3.4.1** Where a Warrant is being replaced due to a change to its Amendable Details, the Warehouse shall indemnify the person surrendering the Warrant in respect of any reasonable loss or damage they may suffer as a result of the Warehouse not properly cancelling and retaining the original Warrant in accordance with this Agreement.
- 3.4.2** The Warehouse shall be responsible for the cost of replacing Warrants other than in the case of Warrants which have been lost, stolen, destroyed or damaged where such costs shall be the responsibility of the holder.
- 3.4.3** The Warehouse shall take all reasonable steps to ensure that no duplicate Warrants issued by it are in circulation and, in particular, shall make a notification to the Exchange pursuant to Clause 3.3.1 above.

4 Cancellation of Warrants

4.1 Process on replacement

- 4.1.1** Where a Warrant is delivered to a Warehouse for replacement, the original Warrant must first be made properly null and void by being stamped "cancelled and replaced".

4.1.2 If the original of the Warrant has been lost, stolen or destroyed, a copy of the original must be duly marked and retained in lieu of the original.

4.2 Process on cancellation and metal take-up

Where a Warrant is delivered to a Warehouse for cancellation and metal take-up, the original must be made properly null and void by being stamped "cancelled". The Warehouse is required to expedite load-out from warehouses at the minimum rates published from time to time by the Exchange in accordance with Clause 9.11.1. For the avoidance of doubt, any change to the minimum rates would constitute a material increase in the obligations of a Warehouse which would require consultation and notification in accordance with Clause 9.11.4. The Warehouse shall prioritise all requests for cancellation strictly in the order in which they are received unless the Warrant holders seeking cancellation agree otherwise. The Warehouse shall use all reasonable endeavours to allocate to each Warrant holder seeking cancellation the delivery time that he has requested, unless that requested delivery time has already been allocated to another Warrant holder, in which case the Warehouse shall offer one or more alternative delivery times as close to the time originally requested as possible and where reasonably possible shall allocate the delivery time which is acceptable to the Warrant holder. The Warehouse must prepare and maintain such documentation as is sufficient to evidence compliance with the aforesaid requirement (e.g. a schedule detailing (at least) the dates and times of receipt of cancellation requests and the allocated dates and times of delivery) and shall provide a copy of the same to the Exchange if so requested. The Warehouse will, at all times, be responsible for ensuring that deliveries of metal are effected in accordance with the above requirements except where the Warrant holder taking delivery of metal provides its own transport and fails, due to no fault of the Warehouse, to keep to the agreed delivery schedule, in which case the Warehouse and that Warrant holder shall agree between them an alternative time for delivery.

4.3 Warrants requiring cancellation

Where a Warehouse or its London Agent is notified or becomes aware that any details on a Warrant which are not Amendable Details are incorrect, it shall:

- 4.3.1 notify the Exchange thereof in accordance with Clause 3.3;
- 4.3.2 take all reasonable steps to identify the holder of the Warrant and notify it of the event and require the Warrant to be delivered up for cancellation; and
- 4.3.3 on its being delivered to the Warehouse or London Agent, cancel the Warrant in accordance with the LMEsword Regulations and Operating Procedures and issue a new Warrant in respect of the relevant metal.

4.4 Storage

All cancelled Warrants (and a copy of the original in the event that it has been lost, stolen or destroyed) must be securely retained and be made available for inspection by the Exchange for five years or (if later) until any replacement Warrant is surrendered for cancellation and metal take-up.

5 Rent and Free On Truck ("FOT") charges

5.1 Calculation

- 5.1.1 Calculations of rent due on Warrants must be on round tonnages and not actual weights.
- 5.1.2 Rent on metal under Warrant must accrue on a daily basis and rent accrued must be payable annually as at 31 March each year, or at such other times and for such other periods as the Exchange may prescribe, or upon cancellation of a Warrant whichever is the sooner.

5.2 Warehouse Maximum Charge Levels

- 5.2.1 ~~Each~~[The](#) Warehouse shall be required to set maximum rent and FOT charges (the “**Warehouse Maximum Charge Levels**”), specifying the highest rates which may be levied, in accordance with the requirements of this Clause 5.
- 5.2.2 Warehouses may set separate Warehouse Maximum Charge Levels in respect of each Delivery Point in which the Warehouse operates licensed facilities, and in each such Delivery Point, (i) in respect of rent, a rate for each metal which the Warehouse is licensed to store in that Delivery Point, and (ii) in respect of FOT, (a) a rate for cobalt (if the Warehouse is licensed to store cobalt in that Delivery Point), (b) a rate for roasted molybdenum concentrate (if the Warehouse is licensed to store roasted molybdenum concentrate in that Delivery Point), (c) a rate for premium primary aluminium (if the Warehouse is licensed to store premium primary aluminium in that Delivery Point) , and (d) a single rate for all other metals (if the Warehouse is licensed to store metals other than cobalt, roasted molybdenum concentrate and premium primary aluminium in that Delivery Point).
- 5.2.3 Rent must be quoted in the Major Currency of the Contract to which the Warrant relates is traded. FOT must be quoted in the currency of the listed location, except for FOTs in respect of aluminium premium Contracts, which must be quoted in the Major Currency of the relevant Contract.
- 5.2.4 [FOT may be paid in any currency that the Warehouse and the Warrant holder agree, provided that:](#)
 - (i) [both parties agree to both the currency of payment and the rate of conversion between the currency of the listed location \(or, in the case of aluminium premium Contracts, the Major Currency of the Contract\) and the currency of payment; and](#)
 - (ii) [in the event that the parties cannot agree, FOT shall be paid in the currency of the listed location \(or, in the case of aluminium premium Contracts, the Major Currency of the Contract\).](#)

5.3 Publication of Charge Caps

- 5.3.1 With the exception of 2016 (which is covered by Clause 5.3.2 below), the LME shall, by 31 October each year, in respect of the period from 1 April of the following year to 31 March of the next following year, publish a list of maximum permissible Warehouse Maximum Charge Levels (“**Charge Caps**”), in respect of each combination of (i) each Delivery Point Country, and (ii) each metal which is the subject of a physically-settled Contract (with the exception of aluminium premium Contracts) and licensed for storage by at least one

Warehouse in that Delivery Point Country. For the avoidance of doubt, the relevant Charge Cap shall apply to all Delivery Points in a Delivery Point Country.

- 5.3.2 In respect of 2016, the LME shall publish the Charge Caps on 28 December 2016. The Charge Caps for the period 1 April 2017 to 31 March 2018 shall be calculated as the arithmetic mean average of (i) the highest Warehouse Maximum Charge Levels published by the LME in December 2014 for the period 1 April 2015 to 31 March 2016 and (ii) the highest Warehouse Maximum Charge Levels published by the LME in February 2016 for the period 1 April 2016 to 31 March 2017, in each case in respect of that Delivery Point Country and that metal (and rounded up to the nearest smallest unit of the local currency, in the case of FOT, or the nearest US cent, in the case of rent).
- 5.3.3 Subject to Clause 5.3.6, the Charge Caps for the periods (i) 1 April 2018 to 31 March 2019, (ii) 1 April 2019 to 31 March 2020, (iii) 1 April 2020 to 31 March 2021, ~~and~~ (iv) 1 April 2021 to 31 March 2022, (v) 1 April 2022 to 31 March 2023, (vi) 1 April 2023 to 31 March 2024, (vii) 1 April 2024 to 31 March 2025, (viii) 1 April 2025 to 31 March 2026, and (ix) 1 April 2026 to 31 March 2027 shall be the same as the Charge Caps for the period 1 April 2017 to 31 March 2018.
- 5.3.4 In respect of each subsequent period 1 April to 31 March, the Charge Caps shall either be kept the same, or increase, in accordance with the formula set out in Appendix A. In the event that the relevant index (or certain data points within the index) as specified in Appendix A is unavailable, the LME shall determine an appropriate comparable index (or data points), subject to the Warehouse's right of challenge as set out in Clause 5.3.6 below.
- 5.3.5 Where (i) the LME approves a new Delivery Point which is located in a new Delivery Point Country, or (ii) a Warehouse becomes authorised to store in a Delivery Point Country a metal for which Charge Caps have not previously been calculated, the LME shall, prior to or at the same time as admission of the new Delivery Point or storage authorisation of the Warehouse, publish Charge Caps for such Delivery Point Country in respect of the set of metals authorised for storage at one or more warehouses in that Delivery Point Country and in respect of which Charge Caps have not previously been published. In determining the relevant Charge Caps, the LME shall take into account all relevant factors, including, ~~without limitation,~~ the Charge Caps for geographically proximate countries, any factors relevant to the particular Delivery Point Country, and its expert judgment.
- 5.3.6 In respect of Charge Caps published from 2017 onwards, a Warehouse may challenge any Charge Cap on the basis that it does not adequately take into consideration any relevant increase in the Warehouse's costs, or on the basis of any other reason. Any Warehouse wishing to challenge any Charge Cap may submit such a challenge in writing to the LME, including full reasons for such challenge together with any relevant supporting documentation, within fourteen calendar days of the publication of the relevant Charge Cap. The challenge will be considered by the Special Committee of the LME. The LME shall have the opportunity to make written representations or provide supporting evidence to

the Special Committee where the LME considers it appropriate to do so. The Special Committee may request such additional documentation or explanation from the Warehouse, or any other Warehouse, or the LME, as it considers appropriate, in considering the challenge. Having considered the challenge, the Special Committee may either (i) reject the challenge, or (ii) accept the challenge and require the LME to increase the relevant Charge Cap by such amount as it considers appropriate. Where the Special Committee accepts the challenge, it shall publish a notice to the market explaining the nature of the challenge and the reasons for accepting it. The amended Charge Cap(s) shall take effect on the following 1 April and shall be taken into account when calculating any increases to Charge Caps in future years in accordance with Clause 5.3.4 and Appendix A. Where the Special Committee rejects the challenge, it may, where it considers it appropriate, publish a notice to the market explaining the nature of the challenge and the reasons for rejecting it (and, in the event that it does not publish such a notice, it shall still provide the Warehouse which brought the challenge with the reasons for rejecting it). The Special Committee shall endeavour to publish any notice to the market within fourteen calendar days of the challenge being brought, or such other date as it shall in its sole discretion consider appropriate.

- 5.3.7 While the LME endeavours to ensure the accuracy, reliability and completeness of the Charge Caps and any information (including third party information) with reference to which the Charge Caps are compiled (the “**Charge Cap Information**”), neither the LME nor any of its affiliates makes any warranty or representation, express or implied, or accepts any responsibility or liability for, the accuracy, completeness or reliability of the Charge Cap Information. The LME accepts no liability whatsoever to any Warehouse or other person for any loss or damage arising from any inaccuracy or omission in the Charge Cap Information.

5.4 Process for advising Warehouse Maximum Charge Levels

- 5.4.1 On 29 December 2016, each Warehouse must set its Warehouse Maximum Charge Levels in respect of the 12 month period commencing 1 April 2017. For the avoidance of doubt, if a Warehouse has already submitted Warehouse Maximum Charge Levels in respect of the 12 month period commencing 1 April 2017 pursuant to any requirement in a previous version of this Agreement, such charges must be resubmitted if they do not comply with clause 5.4.3.
- 5.4.2 From 15 December 2017, each Warehouse must set its Warehouse Maximum Charge Levels annually in respect of each 12 month period commencing 1 April of the following year by notification to the Exchange not later than 15 December in the preceding year.
- 5.4.3 No Warehouse Maximum Charge Level submitted pursuant to clause 5.4.1 or 5.4.2 may be higher than the corresponding Charge Cap. In the event that a Warehouse submits a Warehouse Maximum Charge Level in excess of the corresponding Charge Cap, the LME may revise the Warehouse Maximum Charge Level down to the corresponding Charge Cap (for the avoidance of

doubt, such submission may also constitute a breach of this Agreement which may be subject to disciplinary action pursuant to the Disciplinary Procedures). For Warehouse Maximum Charge Levels not subject to a Charge Cap, levels may be set in the discretion of the Warehouse.

- 5.4.4 The Exchange shall publish each Warehouse's Warehouse Maximum Charge Levels by 31 December. For the avoidance of doubt, no change in Maximum Charge Levels shall become effective until the following 1 April.

5.5 Dates

The Exchange may, by giving notice in writing to each Warehouse, amend any of the dates set out in clauses 5.3.1, 5.3.2 or 5.4 for any given relevant year in the event of a challenge to the Charge Caps pursuant to clause 5.3.6 or for any other reason.

5.6 Payment

Rent must be paid for metal under Warrant in stock at 31 March (or such other dates as the Exchange may prescribe) in each year by direct settlement between holders of Warrants and Warehouses.

5.7 LMEsword

Warehouses' other obligations in relation to rent shall be as set out in the LMEsword Regulations and the Operating Procedures.

6 Records

6.1 Storage records for metal under Warrant

- 6.1.1 Warehouses must have clearly organised systems for recording storage of metal under Warrant for use in their office and in each Authorised Warehouse.
- 6.1.2 Storage records must have a separate entry record for each lot and each such record must be numbered consecutively.
- 6.1.3 Storage records in respect of metal under Warrant must clearly identify the fact that the metal is under Warrant, include the Warrant number and note the Authorised Warehouse in which the metal is stored.
- 6.1.4 Metal under Warrant must be identifiable in an Authorised Warehouse by means of a label, or other marking method, as to lot or Warrant number.

6.2 Warrant records

- 6.2.1 ~~Each~~The Warehouse must maintain a Warrant register which shows the dates of issue and cancellation of each Warrant, any corresponding lot numbers and the details of the metal as shown on the Warrant. Each entry on the Warrant register must be initialled by an authorised person or, in the case of a register maintained on a computer, have noted next to each entry the initials or other identity of an authorised person.
- 6.2.2 To the extent that any Warehouse has pre-printed warrants in blank, these must be kept secure. The Warehouse must ensure that it, or its London Agent, maintains a written record of the number of unused blank Warrants at any given time and will provide a copy of that record to the Exchange on request.

6.2.3 A copy of each Warrant issued by or for ~~a~~the Warehouse must be kept secure.

6.3 Stock records

6.3.1 Agreements Governing Metal Stocks

6.3.1.1 LME Facility Storage Agreement

- (i) For the purposes of this Agreement, an “LME Facility Storage Agreement” shall mean an agreement between the Warehouse and a metal owner for the storage of metal (not being under Warrant and not being Cancelled Tonnage) which stipulates that the metal must be stored in an LME-registered shed.
- (ii) Metal held an LME Facility Storage Agreement may include metal which would not be eligible to be put on Warrant, but where the metal owner wishes the metal to be stored in an LME-registered facility.

6.3.1.2 LME Warranting Agreement

- (i) For the purposes of this Agreement, an “LME Warranting Agreement” shall mean an agreement between the Warehouse and a metal owner for the storage of metal (not being under Warrant and not being Cancelled Tonnage) which contemplates that the metal may, at the request of the metal owner, be placed onto Warrant.
- (ii) Metal subject to an LME Warranting Agreement need not be held in an LME-registered shed, in which case the LME Warranting Agreement may envisage that the metal will be moved to or from an LME-registered shed.
- (iii) LME Warranting Agreements may include written agreements, oral agreements, and implied agreements where the business relationship between the metal owner and Warehouse gives rise to a reasonable expectation on the part of the metal owner that metal may be placed on Warrant (including circumstances where the metal owner can compel such an outcome pursuant to the full or partial control of the Warehouse).

6.3.1.3 LME Voluntary Reporting Agreement

- (i) For the purposes of this Agreement, an “LME Voluntary Reporting Agreement” shall mean an agreement between the Warehouse and a metal owner for the storage of metal (not being under Warrant and not being Cancelled Tonnage) under which the metal owner has requested that the Warehouse report the tonnages of such stored metal to the Exchange.
- (ii) The parties acknowledge that the Exchange may:
 - (a) make rules which impose more onerous conditions on metal owners who wish to place metal on Warrant, and who do not enter into an LME Voluntary Reporting Agreement in respect of such metal at the earliest possible opportunity;

- (b) impose differential charges on metal owners for the lodging of Warrants, dependent on whether or not the metal owner entered into an LME Voluntary Reporting Agreement at the earliest possible opportunity.
- (iii) Without prejudice to the above, the decision as to whether voluntarily to report shall be solely for the metal owner, and the Warehouse shall not be penalised by the Exchange for any failure by its client to enter into an LME Voluntary Reporting Agreement.

6.3.1.4 LME Off-Warrant Storage Agreement

For the purposes of this Agreement an "LME Off-Warrant Storage Agreement" shall mean (i) an LME Facility Storage Agreement; or (ii) an LME Warranting Agreement; or (iii) an LME Voluntary Reporting Agreement.

Reporting of Stock under Warrant

- 6.3.2** ~~6.3.1~~ The stock of metal under Warrant of eachthe Warehouse, together with Cancelled Tonnage, must be reported to the Exchange~~by the due completion of the form prescribed by the Exchange which must be faxed to the Exchange by 1200 hours London time each Business Day or delivered by such other means as the Exchange may prescribe and/or pursuant to LMEsword as the Exchange may from time to time prescribe, as prescribed in the LMEsword Regulations and Operating Procedures.~~

~~6.3.2 Until such time as stocks of metal are reported pursuant to LMEsword alone, metal taken off Warrant, but which is still on the Warehouse's premises, must be combined on the stock return with those stocks actually on Warrant rounded to the nearest complete Warrant lot and also separately identified on the return, or shown in such other manner as prescribed by the Exchange by notice. If no stocks are held, a nil return must be submitted on each Business Day.~~

Confidentiality of Stock and Queue Information

- 6.3.3** Information concerning stocks and Queues at Warehouses shall be treated as confidential by the Exchange save that the Exchange may publish such information concerning LME stocks and Queues at Warehouses as it considers necessary, acting reasonably, for the purposes of market transparency. In addition the Exchange may publish such information for regulatory purposes and may make such disclosure as is required by Relevant Law and Regulation or that is requested by any regulatory authority or other person to whom the Exchange is required to disclose it by Relevant Law or Regulation. In addition, the Exchange may publish such information together with that of other Warehouses without identifying the Warehouse by name and also make reference to such information, identifying the Warehouse, in any notice of a decision given under the Disciplinary Procedures in the event of a breach of this Agreement. Warehouses are prohibited from (i) disclosing information

concerning Queues at such Warehouses or (ii) revealing their stock of metal under Warrant to any person, except that this prohibition shall not apply to:

- 6.3.3.1 information supplied to athe Warehouse's London Agent where the disclosure is reasonable and necessary to enable the recipient to perform the proper functions of his employment, profession or duties;
- 6.3.3.2 information disclosed pursuant to any Relevant Law and Regulation;
- 6.3.3.3 information disclosed to athe Warehouse's professional advisers and to its usual bankers where the disclosure is reasonable and necessary to enable the recipient to perform the proper functions of his employment, profession or duties;
- 6.3.3.4 historical information on aggregate stocks held by athe Warehouse without differentiation between stocks held under Warrants and other stocks which is required to be disclosed to the shareholders of the Warehouse;
- 6.3.3.5 historical information on aggregate stocks held by athe Warehouse without differentiation between stocks held under Warrants and other stocks which is required to be disclosed to a parent company of the Warehouse for the purpose of that parent company preparing its budgets and financial forecasts for the Group; or
- 6.3.3.6 information which has already been published by the LME pursuant to clause 6.3.3.1; or
- 6.3.3.7 information about the length of Queues where such information is provided to a metal owner that: (i) is contemplating or effecting the scheduling of load-out of metal at the Warehouse; and (ii) requires information regarding the waiting time for such scheduling, provided that the Warehouse: (A) may only disclose information pursuant to this clause 6.3.3.7 to the extent that such information relates to Queues arising from actual Cancelled Tonnage; and (B) shall not include in such disclosure the Warehouse's expectation regarding the cancellation or load-out request actions of any person other than the metal owner that requires such information in accordance with (i) and (ii) above.

Reporting of off-Warrant Stock

- 6.3.4 No later than the tenth calendar day of the each calendar month, the Warehouse shall report to the Exchange the quantity of metal held by the Warehouse on the final day of the preceding calendar month that is not on Warrant (either live or cancelled) and which, at any point during that preceding month, was subject to an LME Off-Warrant Storage Agreement. The following provisions shall apply in respect of such reports.
 - (i) The Warehouse does not need to have established the eligibility or suitability of the metal to be put on Warrant.
 - (ii) The Warehouse should rely on the metal owner's characterisation of the metal, subject that the Warehouse should make a visual inspection of the metal and report to the Exchange any reasonable suspicion as to

disparity between metal owner's characterisation of the metal and the metal inspected by the Warehouse.

(iii) The Warehouse shall submit a matrix report (using such template form as the LME may prescribe from time to time), showing quantity of metal (to the nearest metric tonne) subject to Off-Warrant Storage Agreement(s) split by:

(a) any LME Good Delivery Location where the relevant off-warrant metal is currently located (rather than the location where it may ultimately be warranted pursuant to an LME Warranting Agreement), save that metal stored outside an LME Good Delivery Location shall be reported under the category "non-GDL" where such metal is:

(I) subject to an LME Voluntary Reporting Agreement, and/or an LME Warranting Agreement which envisages transportation of such metal to an LME-registered shed prior to warranting; and

(II) held in an area or location situated more than a 10 mile radius from any of the Warehouse's listed facilities,

and where metal held within a 10 mile radius of a listed facility shall be reported under the LME Good Delivery Location where the listed facility is located; and

(b) type of metal, divided by the Contract against which, if warranted, the metal would be deliverable, subject that metal stored under an LME Facility Storage Agreement or LME Voluntary Reporting Agreement which is not believed to be warrantable, shall be reported under the category "Other"; and

(c) type of LME Off-Warrant Storage Agreement (being metal subject to LME Facility Storage Agreements, metal subject to LME Warranting Agreements, and metal subject to LME Voluntary Reporting Agreements).

(iv) Metal stored by a third party should be included in the reported figures (attributable to metal subject to an LME Warranting Agreement) where the Warehouse has entered into an LME Warranting Agreement where such agreement envisages that the metal may be moved from the third party's facilities to the Warehouse's facilities and placed on Warrant.

(v) For the avoidance of doubt, there shall be no requirement for the Warehouse to provide details of metal owners, or of the economic terms on which metal is stored off-warrant.

(vi) In respect of reporting under Clause 6.3.4:

(a) the Exchange shall treat the figures reported by Warehouses as confidential;

(b) notwithstanding (a) above:

- (I) the Exchange but may use the reported figures for reasonable internal purposes (including assessing market orderliness);
- (II) the Exchange may publish (on a free or charged-for basis) summary statistics of off-warrant metal reported pursuant to Clause 6.3.4, in such format as the Exchange shall notify to the market by written notice from time to time (subject that such statistics may not be disaggregated by Warehouse, but may be disaggregated by LME Good Delivery Location, metal type, or both);
- (III) provided that publication is consistent with the (II) above, the Exchange shall not be prohibited from publishing disaggregated information which could be used to identify data specific to the Warehouse (such as, without limitation, where the Warehouse is the only operator in a given LME Good Delivery Location); and
- (c) notwithstanding (a) above, the Exchange may disclose the reported figures (or any information relating to such figures):
 - (I) where the Exchange is required to do so pursuant to any Relevant Law and Regulation;
 - (II) to the Exchange's professional advisers and to its usual bankers where the disclosure is reasonable and necessary to enable the recipient to perform the proper functions of his employment, profession or duties; or
 - (III) where such information is already in the public domain.

Additional Daily Stock Reporting

6.3.5 The Warehouse:

- (i) acknowledges that the Exchange may, following the date of this Agreement, by written notice specify changes to the classification of metals for the purpose of the daily reporting of stocks of metal in accordance with this clause 6.3, in order that:
 - (a) the "cancelled" classification shall refer only to metal that was cancelled but not scheduled for load-out;
 - (b) a new "scheduled" classification shall refer to metal that has been cancelled and is scheduled (or in the process of being scheduled) for load-out; and
- (ii) agrees that it shall implement such operational requirements to effect such changes, and shall, on an on-going basis, apply such classification requirements for the purposes of reporting stock to the Exchange, in each case in the manner specified in such written notice, from the time specified in such written notice.

6.4 Duty and Tax Records

- 6.4.1 ~~Each~~The Warehouse must maintain records on the duty and tax status of each lot of metal.
- 6.4.2 The Warehouse shall make the records specified in Clause 6.4.1, or information derived from such records, available on request and at no cost to Warrant holders and the Exchange.

7 Continuing Obligations

7.1 Insurance

- 7.1.1 ~~Each~~The Warehouse must maintain insurance in respect of all the types of risks marked with an asterisk in paragraph 9 of Schedule A at least at the levels from time to time prescribed by the Exchange. Such insurance must be maintained at all times until the Warehouse is no longer listed.
- 7.1.2 The Warehouse shall procure that the Exchange receives annually at renewal and/or at such other time as requested by the Exchange a certificate (or such other document as the Exchange may from time to time prescribe) evidencing that all the risks marked with an asterisk in paragraph 9 of Schedule A are protected and citing the maximum limit of cover per occurrence and the policy number. Any changes affecting the insurance cover are to be automatically notified to the Exchange by the insurance company. The Warehouse must ensure that its policy shows the Exchange as a notifiable party for amendments and renewal confirmations.

7.2 Security

- 7.2.1 The Warehouse must at least maintain the level of security measures referred to in its response(s) to Schedule B, Section (C) (as the same may be amended in writing between the Warehouse and the Exchange from time to time) at all its Authorised Warehouses and must keep them clean, dry (except outside storage areas as permitted by the LME), free from contaminants and in good repair. The Exchange may in its discretion reasonably require enhancements to the security measures maintained by ~~a~~the Warehouse as referred to in its response(s) to Schedule B, Section (C). Without prejudice to the requirements of Clause 7.3, in the event of any material change in the details relating to its Authorised Warehouses as set out in its response(s) to Schedule B, Section (C), or in the event that the Warehouse otherwise fails to comply with this Clause 7.2.1, the Warehouse must notify the Exchange of such change or failure within 5 Business Days of becoming aware of the same. In the event of any material change in the details relating to the Warehouse's Authorised Warehouses which could in the Exchange's reasonable view result in a degradation in the level of security as set out in the Warehouse's response(s) to Schedule B, Section (C), or in the event that the Warehouse otherwise fails to comply with this Clause 7.2.1, the Exchange may, at its sole discretion, direct that any metal stored under Warrant in the Authorised Warehouse in question be relocated to another Authorised Warehouse, whether or not with the same Warehouse.
- 7.2.2 Any costs arising from such relocation, including ~~but not limited to~~, costs relating to re-inspection and re-approval, shall be met by the Warehouse.

- 7.2.3 The power of the Exchange under this Clause is without prejudice to its other powers under this Agreement, including the powers set out under the Disciplinary Procedures.

7.3 Monitoring and supply of information

- 7.3.1 ~~Each~~The Warehouse must notify the Exchange of any facts, events or changes which are material to its listing as a Warehouse within 5 Business Days of becoming aware of the fact, event or change in question. This shall include, without limitation:
- 7.3.1.1 any changes that materially affect the information given by the Warehouse in connection with its application for listing as a Warehouse, or such other material information as it may have given to the Exchange in writing from time to time;
 - 7.3.1.2 any changes affecting the Warehouse's ability to comply with its obligations hereunder or under the LMEsword Regulations.
- 7.3.2 ~~A~~The Warehouse shall not make any changes, or allow any changes which are within its power to prevent being made, to any of its Authorised Warehouses where such changes would involve a material change to any of the details provided in the answers given in Schedule B, without obtaining the Exchange's prior written approval in accordance with procedures published by the Exchange from time to time. In the event that the Warehouse becomes aware of such a change which is beyond its power to prevent, it must nonetheless notify the Exchange of such change immediately. The Exchange may, if it deems that the change materially affects the ability of the Authorised Warehouse(s) to operate, exercise its powers under this Agreement, including ~~without limitation~~, those contained in Clause 9.2.
- 7.3.3 ~~Each~~The Warehouse shall provide to the Exchange on request such information from its storage records, Warrant records and/or stock records relating to the types of metals deliverable on the Exchange, as the Exchange may reasonably request from time to time in connection with any enquiries being made or to be made by the Exchange in accordance with the Rules or this Agreement. All such information so supplied shall be treated as confidential by the Exchange and shall be restricted to those authorised staff and officers within the Exchange responsible for conducting such enquiries in accordance with the Rules, the Exchange's professional advisors, regulatory authorities and other persons to whom the Exchange is required to disclose it by Relevant Law and Regulation. The Exchange shall not be entitled to have access to legally privileged documents. A list of those persons within the Exchange who are authorised to obtain information from Warehouses in accordance with this Clause 7.3.3 will be circulated to all Warehouses and will be updated from time to time. The Exchange may request information about metal held off-Warrant at the Warehouse only in connection with an investigation pursuant to the Disciplinary Procedures.
- 7.3.4 ~~Each~~The Warehouse shall permit Exchange staff to conduct routine and other inspections of its premises used for the storage of LME metal, including access to each relevant Authorised Warehouse and its offices supporting the operating

of such warehouses. Warehouses shall use reasonable endeavours to procure similar access to the offices of their London Agents supporting those operations. ~~Each~~The Warehouse shall co-operate with the Exchange in the conduct of such inspections and give all reasonable assistance to the Exchange.

- 7.3.5 The Exchange shall give reasonable notice of its intention to make inspections, except that no such notice will be required to be given where the Exchange deems it necessary or desirable in its absolute discretion for an immediate inspection to be undertaken by the Exchange or its appointed representatives.
- 7.3.6 ~~Each~~The Warehouse shall provide the Exchange with details of its officers and employees authorised to act as its authorised signatories for the purposes of this Agreement and keep such details up to date at all times, notifying the LME of any changes thereto promptly.

7.4 Periodical inspections

- 7.4.1 From time to time, and at least every 12 months, ~~each~~the Warehouse must:
- 7.4.1.1 carry out a visual inspection of all metal under Warrant in its Authorised Warehouses and of all supporting documentation;
 - 7.4.1.2 at its own cost, appoint an independent third party auditor to perform a count of all the stock which is under Warrant in its Authorised Warehouse(s) which shall include metal taken off Warrant, but which is still on the Warehouse's premises awaiting load-out;
 - 7.4.1.3 make a notification to the Exchange without delay following the end of each calendar year (and by not later than 1 March), such notification to contain a record of all such inspections which have been carried out throughout the previous year, and a copy of the report produced by the independent third party auditor pursuant to Clause 7.4.1.2; and
 - 7.4.1.4 seek the approval of the Exchange in the selection of the independent third party auditor referred to in Clause 7.4.1.2 and provide to the Exchange such information concerning its preferred auditor as the Exchange may reasonably request.
- 7.4.2 Full records of such inspections must be kept, showing at least:
- 7.4.2.1 the details of all issued Warrants at the time of the inspection;
 - 7.4.2.2 the date of the inspection; and
 - 7.4.2.3 the name and job title of the person undertaking the inspection, who must also acknowledge that he has carried out the inspection and be of suitable seniority.

Without prejudice to the annual notification requirement in Clause 7.4.1, copies of such records will be made available to the Exchange at any time on request.

- 7.4.3 All weighing equipment used for weighing metal under Warrant must be checked for accuracy at least quarterly by an accredited and responsible institution which is not affiliated to the Warehouse and any material

inaccuracies detected by such institution must be rectified by the Warehouse immediately. Written evidence of such inspections must be retained and made available to the Exchange on request.

7.5 Compliance with law and regulation

- 7.5.1 ~~Each~~The Warehouse shall at all times comply with all applicable law, including ~~(without limitation)~~ Relevant Law and Regulation, sanctions, local port conditions, local and national customs, local anti-corruption laws, prohibitions on Market Abuse, taxation law and other rules and regulations (where the aforesaid are not in conflict with the requirements of either this Agreement or of the LMEsword Regulations or of the Operating Procedures).
- 7.5.2 The Warehouse shall immediately notify the Exchange if it becomes aware that such law, customs or regulations conflict, or are likely to conflict, with the requirements of this Agreement, the LMEsword Regulations or the Operating Procedures. In the event of any such conflict, the Exchange shall, without prejudice to its rights under this Agreement, assess whether, in its reasonable opinion, such conflict in fact exists and, if so, whether it is reconcilable and shall determine in its absolute discretion what action (if any) to take. Where the Exchange is of the view that failure immediately to resolve the conflict will not materially prejudice the Warehouse's ability to comply with the requirements of this Agreement, the LMEsword Regulations or the Operating Procedures, it shall consult with the Warehouse as to the remedial action to be taken. In the event of a conflict between this Agreement and the LMEsword Regulations or Operating Procedures or any notice issued by the Exchange, the terms of this Agreement shall prevail.
- 7.5.3 The Warehouse will not, and nor will any of its officers, employees, shareholders, representatives or agents, directly or indirectly, either in private business dealings or in dealings with the public sector, offer, give or agree to offer or give (either itself or in agreement with others) any payment, gift or other advantage with respect to any matters which are the subject of this Agreement which (i) would violate any anti-corruption laws or regulations applicable to the Warehouse, (ii) is intended to, or does, influence or reward a person and acting in breach of an expectation of good faith, upholding or trust, or which it would otherwise be improper for the recipient to accept, or (iii) is made to a Public Official with the intention of influencing them and obtaining or retaining an exchange with conduct of terms ("**Corrupt Act**").
- 7.5.4 The Warehouse represents and warrants that it has not, and so far as it is aware its directors and officers have not:
- (i) engaged in, admitted to, or been found by a court in any jurisdiction to have engaged in any Corrupt Act; or
 - (ii) been investigated by a regulatory or law enforcement agency in any jurisdiction as a suspect in connection with an investigation into the commission of any Corrupt Act.
- 7.5.5 The Warehouse further agrees and undertakes:

- (i) to properly and accurately record in its books and records all transactions which relate in any way to this Agreement; and
- (ii) to provide any such information as the Exchange may reasonably require by notice in writing in order to monitor the Warehouse's compliance with its obligations under Clauses 7.5.1 and 7.5.3 and 7.5.4; and
- (iii) to notify the Exchange immediately if, at any time, it becomes aware that any of the representations set out at under Clause 7.5.4 are no longer correct.

7.6 Principles of Conduct

The Warehouse shall adhere to the Principles of Conduct set out at Clause 11.

8 Enforcement and Discipline

- 8.1.1 The Exchange may investigate any breach of this Agreement and take disciplinary action. The terms of the LME's Enforcement and Disciplinary Procedures applicable to all LME Warehouses, as amended by the Exchange from time to time and issued to Warehouses (the "Disciplinary Procedures") shall be deemed to be incorporated into this Agreement as if set out in full herein.

9 General

9.1 Fees

- 9.1.1 ~~Each~~The Warehouse shall pay the Exchange the fees and levies prescribed by the Exchange from time to time. The Exchange shall provide all Warehouses with reasonable notice of changes in its prescribed fees and levies.
- 9.1.2 ~~Each~~The Warehouse shall be responsible for the cost of inspections undertaken by the Exchange in accordance with the terms of this Agreement except where the inspection is specific to a single Warehouse and is initiated by the Exchange in which case the Exchange shall be responsible for the cost thereof (but without prejudice to the power of the Exchange to recover any such costs from ~~a~~the Warehouse pursuant to a sanction imposed under the Disciplinary Procedures).
- 9.1.3 ~~Each~~The Warehouse shall pay the fees prescribed by the LMEs word Regulations and Operating Procedures.
- 9.1.4 The Exchange shall consult with Warehouses if any proposed changes in its prescribed fees and levies or in the fees prescribed by the LMEs word Regulations and Operating Procedures would result in a material increase in such fees and/or levies. For these purposes, a "material increase" shall be any increase in the previously prescribed fee or levy of more than the greater of (a) 10 per cent or (b) the percentage figure equal to the aggregate of (i) the percentage increase in the retail prices index ("RPI") as published by the Office for National Statistics calculated by comparing the level of RPI (all items) for the month in which the previously prescribed fee or levy was fixed and comparing it

to the level of RPI (all items) for the month in which the Exchange gives notice of its proposed increase and (ii) 5 per cent.

9.2 Withdrawal of right to store particular metal

Without prejudice to the other powers of the Exchange, the Directors may require ~~a~~the Warehouse to cease to store any one or more particular metals by giving the Warehouse 90 days' prior notice, or such shorter period as the Directors may consider in their sole discretion justified in the circumstances.

9.3 Proper functioning of the market

- 9.3.1** Warehouses play an important role in the markets in which the Exchange operates by ensuring, amongst other things, that Contracts are sufficiently anchored to the price of the underlying metal and that settlements are orderly. Warehouses must not prevent the proper functioning of the market, including by doing anything which may directly or indirectly constrain the liquidity and elasticity of stocks of metal under Warrant. In consequence, Warehouses must not, without limitation, (i) give Inducements that in the ordinary course may reasonably be considered to be exceptional, (ii) impose charges for depositing or withdrawing metals that in the ordinary course may reasonably be considered to be unreasonable, or (iii) delay unreasonably the receipt or despatch of metal, (save where unavoidable due to Force Majeure), where such behaviour may have, directly or indirectly, a manipulative, distortive or disorderly effect on the market. In the event that the Exchange considers that the conduct of ~~a~~the Warehouse indicates circumstances which may constitute Market Abuse, it is required to report this to the Financial Conduct Authority.
- 9.3.2** All Warehouses must periodically supply to the Exchange information relating to all Inducements paid to, or received from, third parties, and charges levied, for example, those for loading and unloading metal for Warrant purposes; in the form, and at the times, specified by the Exchange and set out on the Exchange's website from time to time. Further, ~~a~~the Warehouse must supply such information or clarifications on such information on request by the Exchange.
- 9.3.3** In addition to the information supplied pursuant to Clause 9.3.2, ~~each~~the Warehouse shall provide to the Exchange, on request, such information as the Exchange may reasonably request from time to time, including, ~~—without limitation,~~ details of all Inducements, and details of the provenance of loaded-in metal, including information about metal which may have been held previously in that Warehouse, or in another facility operated by the same Warehouse or member of the ~~Warehouse's~~ Group.
- 9.3.4** For the avoidance of doubt, the Exchange has a right to investigate Warehouses in connection with:
- (i) all Inducements and charges;
 - (ii) any behaviour it suspects may have, or has had, a manipulative, distortive, or disorderly effect on the market; and

- (iii) a failure to meet any of the minimum loading-out standards and requirements from time to time laid down by the Exchange (save in an event of Force Majeure).

9.3.5 All investigations shall be conducted in accordance with Clause 8 above and the Disciplinary Procedures.

9.3.6 ~~9.3.5~~ The Exchange may take disciplinary action and / or, in its discretion, impose additional load-out requirements on ~~a~~the Warehouse whose behaviour the Exchange considers may have, or has had, the effect of creating or maintaining a Queue and / or which has led to market manipulation or distortion; or otherwise created or maintained a disorderly market.

9.3.7 ~~9.3.6~~ All information supplied pursuant to Clause 9.3 shall be treated as confidential by the Exchange and shall be restricted to those authorised staff and officers within the Exchange responsible for analysing such information and/or conducting investigations, the Exchange's professional advisors, regulatory authorities or other person to whom the Exchange is required to disclose it by Relevant Law and Regulation. The Exchange shall not be entitled to have access to legally privileged documents. A list of those persons within the Exchange who are authorised to obtain information from Warehouses in accordance with this Clause ~~9.3.6~~9.3.7 will be circulated to all Warehouses and will be updated from time to time.

9.3.8 The following provisions apply in respect of Post-Sale Economic Incentive Arrangements.

(i) In respect of any metal placed on Warrant on, or after, 1 February 2020:

(a) the Warehouse may only enter into a Post-Sale Economic Incentive Arrangement with the Original Metal Owner; and

(b) any Post-Sale Economic Incentive Arrangement must be agreed so as to come into effect from the time that the metal is placed on Warrant, and such agreement must be recorded in legally binding written terms agreed between the Warehouse and the Original Metal Owner on or prior to such date.

(ii) Clause 9.3.8(i) shall not affect the validity of any Post-Sale Economic Incentive Arrangement entered into in respect of any warranted metal prior to 1 February 2020.

(iii) A Post-Sale Economic Incentive Arrangement in respect of any Warrant may last until the earlier of:

(a) the underlying metal is loaded-out of the Warehouse; or

(b) such earlier time or event agreed between the Warehouse and the Original Metal Owner; or

(c) (where applicable, subject to the application of (iv) below) an Automatic PSEIA Termination.

(iv) The Exchange may specify by written notice that some or all Post-Sale Economic Incentive Arrangements shall be subject to automatic

termination in specific circumstances (an "Automatic PSEIA Termination"). The circumstances shall be specified by the notice, but shall be one or both of the following:

- (a) the cancellation of the Warrant by a Later Metal Owner; or
- (b) the receipt by the Warehouse of a written request from a Later Metal Owner that the Post-Sale Economic Incentive Arrangement shall be terminated.

provided that such Automatic PSEIA Termination shall only apply in respect of any Post-Sale Economic Incentive Arrangements that relates to any underlying metal that is placed on Warrant on or following the thirtieth (30th) calendar day following the issue by the Exchange of such notice.

(v) The Warehouse acknowledges and agrees that:

- (a) in addition to any duties of confidentiality that it may have in respect of information regarding Warrant holders of Warrants that are subject to a Post-Sale Economic Incentive Arrangement (whether such duties arise pursuant to contract or Relevant Law and Regulation), the Warehouse agrees with the Exchange to treat such information as confidential and shall not disclose such information except where permitted under the terms of this Agreement or in circumstances agreed with any person to whom such information relates;
- (b) such Warehouse shall not disclose to any person, including any Original Metal Owner, information regarding a Later Metal Owner and/or the Warrants held by such Later Metal Owner in breach of this Agreement or of any obligations of confidentiality owed by the Warehouse to such Later Metal Owner, notwithstanding that a Warrant held by such Later Metal Owner may be subject to a Post-Sale Economic Incentive Arrangement between the Warehouse and the Original Metal Owner.

(vi) Nothing in this Clause 9.3.8 shall prevent a Later Metal Owner and the Warehouse from negotiating and/or agreeing a level of rent and/or FOT below the Warehouse's published rent rates in respect of any Warrants (that is, "**discounted charges**"), provided that such discounted charges shall apply only during the period that such Warrants continue to be owned by that Later Metal Owner. In the event that the underlying metal in respect of such Warrants is also subject to a Post-Sale Economic Incentive Arrangement with an Original Metal Owner, then subject to Clause 9.3.8(v) above, the Warehouse may liaise with such Original Metal Owner to determine whether, and to what extent, the Original Metal Owner will agree to modify the terms of the Post-Sale Economic Incentive Agreement, in order to facilitate the Later Metal Owner's request for discounted charges.

(vii) Without limitation to the obligations of Warehouses, and the rights of the Exchange, under Clauses 9.3.1 to 9.3.8 above, no Warehouse shall agree any Post-Sale Economic Incentive Arrangement in respect of any Warrants and/or underlying metal:

(a) the terms or effect of which is to prevent a Later Metal Owner from withdrawing from the Warehouse the metal underlying the Warrants and/or making alternative arrangements for the storage of such metal; or

(b) that has a distortive, manipulative or disorderly effect on the market,

and in the event that the Exchange notifies the Warehouse that it considers that a Post-Sale Economic Incentive Arrangement has any of the effects described above, the Warehouse shall comply with any direction of the Exchange to terminate any such arrangement.

9.4 Termination

9.4.1 Without prejudice to the provisions of Clause 8, this Agreement may be terminated, and the Warehouse delisted on a permanent basis, with or without notice, if:

9.4.1.1 the Warehouse commits a serious breach of this Agreement, the LMEsword Regulations or the Operating Procedures;

9.4.1.2 the Warehouse ~~fails or ceases to satisfy the requirements~~is in breach of any aspect of Clause 1.2 ~~(capital)~~ and/or ~~becomes or is,~~ in the opinion of the Exchange, is Insolvent and/or is likely to become Insolvent;

9.4.1.3 the Warehouse breaches Clause 7.5 (compliance with law and regulation);

9.4.1.4 the Warehouse materially fails to meet any of its obligations to the holder for the time being of a Warrant and such obligations are not being disputed in good faith;

9.4.1.5 the Warehouse fails to pay a sum of £10,000 or more when it becomes due, or a lesser sum within 7 Business Days of it becoming due, to the Exchange under Clause 9.1 or in respect of a fine imposed on it under the Disciplinary Procedures; or

9.4.1.6 a Force Majeure occurs.

Any such termination and delisting will be effective upon by the Directors notifying the Warehouse accordingly. Without prejudice to Clause 9.4.1.5, and except in the case of a Force Majeure under Clause 9.4.1.6, the Exchange may at its discretion grant to the Warehouse 7 Business Days within which to remedy a default under this Clause 9.4.1.

9.4.2 The Exchange may by notice served on ~~a~~the Warehouse by no later than 1 October in any year Delist the Warehouse with effect from the following 1 January where the Exchange reasonably believes that the Warehouse is no longer engaged in LME warehousing business.

- 9.4.3 Without prejudice to any other of the Exchange's powers, ~~athe~~ Warehouse, or the Exchange, may terminate this Agreement and Delist the Warehouse in question by the service of six months' prior notice (or such other period as they may agree or as provided under Clause 9.11) on the other. On the expiry of such notice, this Agreement shall be terminated and the Warehouse Delisted. Subject thereto and the other powers of the Exchange hereunder, this Agreement shall be for an indefinite term.
- 9.4.4 On and following termination of this Agreement and the Delisting of ~~athe~~ Warehouse, the Warehouse shall not be entitled to any rebate of fees paid to the Exchange but shall remain liable for all pre-existing liabilities to the Exchange. In addition, the Warehouse shall remain subject to the obligations imposed by this Agreement as if it were a Warehouse until a period of five years after Delisting has elapsed but shall not be entitled to any of the benefits conferred hereunder, including the right to describe itself as an LME listed warehouse company, and may not issue any further Warrants.
- 9.4.5 On Delisting, ~~athe~~ Warehouse must, at its own expense, relocate all metal under Warrant to another ~~Warehouse's~~ LME authorised warehouse company's Authorised Warehouse(s) and arrange for the cancellation of all of its issued and current Warrants. The Exchange's prior approval must be obtained before any relocation arrangements are finalised and in giving such approval (which may not be unreasonably withheld or delayed) the Exchange shall have all due regard to the reasonable instructions of the holders of the Warrants in question, to the extent known to it.
- 9.4.6 The Warehouse shall notify each of its customers (whether or not they are or might become holders of Warrants) that the Warehouse may in certain circumstances be Delisted or Suspended (and the Warehouse shall promptly upon request at any time provide the Exchange with evidence of such notification).

9.5 Notices

- 9.5.1 All notices and other communications shall be in writing and in the English language.
- 9.5.2 Subject to Clause 9.5.5, all notices and other communications required to be served under this Agreement shall be served by ~~fax or by~~ electronic messaging (i.e. e-mail). Service ~~will be deemed effective:~~
of notices by Fax: 02072568864
Email: LMELegal@lme.com
- ~~9.5.2.1 in the case of notices sent by fax, on the date and time that transmission is received by an employee of the recipient in legible form or, if that date is not a Business Day or, if the fax is sent after normal working hours, the next following Business Day the burden of proving receipt to be met by a transmission report generated by the sender's facsimile machine; and~~

~~9.5.2.2 in the case of notices sent by~~ electronic messaging, will be deemed effective on the date and ~~at the~~ time that the sender receives a valid ~~"read receipt"~~.
Notices by electronic messaging shall be sent by email to:

Email: LMELegal@lme.com

- 9.5.3** All notices and other communication required to be served on the Warehouse shall be deemed to be validly served thereon if served on the Warehouse's London Agent. A copy of each such notice and communication shall also be sent to the registered office of the Warehouse but failure to send such a copy shall not affect valid service if the notice or other communication has been served on the Warehouse's London Agent.
- 9.5.4** In the event of difficulty in using ~~fax or~~ electronic messaging to send notices under this Agreement, notices and other communications may be served in person or by courier, with such service deemed effective on the date of receipt, unless that date is not a Business Day in which case the notice shall be deemed given and effective on the first following day that is a Business Day.
- 9.5.5** Notices and other communications shall only be validly served by ~~at~~the Warehouse if they are signed by an authorised signatory notified to the Exchange in accordance with Clause 7.3.6. For the avoidance of doubt, the effect of this Clause 9.5.5 is that, unless the Exchange otherwise prescribes, notices and other communications to be served by ~~at~~the Warehouse may not be served by electronic messaging.
- 9.5.6** The Exchange shall not be liable for any actions taken or omitted to be taken in good faith on the basis of any notice or other communication however served which purports to have been given by or on behalf of ~~at~~the Warehouse. The Exchange shall not be under any duty to verify the genuineness of any signature nor the authority of the person which purports to sign a notice or other communication on behalf of ~~at~~the Warehouse.
- 9.5.7** Each party shall respond promptly to the communications of the other party, where such communications require a response.

9.6 Release

Any liability to the Exchange under this Agreement may in whole or in part be released, compounded or compromised or time or indulgence given by the Exchange in its absolute discretion as regards any Warehouse under such liability without in any way prejudicing or affecting its rights against any other or others of the Warehouses under the same or a like liability, whether joint and several or otherwise provided that ~~at~~the Warehouse's liability shall not be increased by such action, nor shall its right to claim compensation or contribution from any person be thereby reduced.

9.7 Waiver

No failure of the Exchange to exercise, and no delay by it in exercising, any right, power or remedy in connection with this Agreement (each a "Right") will operate as a waiver thereof, nor will any single or partial exercise of any Right preclude any other or further exercise of such Right or the exercise of any other Right. The Rights provided in this

Agreement are cumulative and not exclusive of any other Rights (whether provided by law or otherwise). Any express waiver of any breach of this Agreement shall not be deemed to be a waiver of any subsequent breach.

9.8 Invalidity

If any provision in this Agreement shall be held to be illegal, invalid or unenforceable, in whole or in part, under any enactment or rule of law, such provision or part shall to that extent be deemed not to form part of this Agreement but the legality, validity and enforceability of the remainder of this Agreement shall not be affected.

9.9 Governing law and agreement to arbitrate

9.9.1 This Agreement and any non-contractual obligations arising out of or in connection with it shall be governed by and construed in accordance with English law.

9.9.2 Any dispute arising out of or in connection with this Agreement, including any question regarding its existence, validity or termination, shall be referred to and finally resolved by arbitration under the Rules of the LCIA, which rules are deemed to be incorporated by reference into this Clause. The LCIA shall appoint a sole arbitrator. The place of arbitration shall be London. The language to be used in the arbitral proceedings shall be English.

9.9.3 If the Warehouse is not incorporated in England and Wales, it hereby appoints its London Agent as its agent for service of process for the purposes of any proceedings commenced in the English Court seeking interim relief in support of an existing or prospective LCIA arbitration or enforcing any award granted by a tribunal in any such LCIA arbitration.

9.10 Exclusion of Liability

Neither the LME, nor any member of the LME Group, nor any of their Directors nor other officers or members of its Warehousing Committee shall have any liability for any damage, loss, expense or liability of any nature which ~~at~~the Warehouse may suffer or incur in respect of any act or omissions in relation to the provision of warehouse services to Members or its activities or status as a listed Warehouse except to the extent of losses or expenses attributable to its fraud, negligence or wilful default. The terms of this Clause 9.10 shall take precedence over Regulation 11.8.1 of the LMEsword Regulations insofar as that Regulation relates to Warehouses and the Exchange.

9.11 Notices and Amendments

9.11.1 The Exchange may issue notices from time to time concerning any matter relevant to the performance by ~~at~~the Warehouse of its obligations under this Agreement.

9.11.2 ~~Each~~The Warehouse shall comply with the terms of any such notice and such notices (including ~~without limitation,~~ the Exchange's Policy on the Approval of Locations as Delivery Points and the Exchange's Policy on the Approval and Operation of Warehouses) shall be deemed to be incorporated into this Agreement.

9.11.3 The Exchange may amend this Agreement from time to time. Unless it is considered to be an emergency and essential for the proper operation of the market, any such change shall, subject to Clause 9.11.4 below, only take effect after ~~each~~[the](#) Warehouse has been given 30 days' prior written notice of any proposed change.

9.11.4 In the event that any such proposed change, or any proposed change to the LMEsword Regulations or Operating Procedures, or any proposed notice under Clause 9.11.1, would have the effect of materially increasing the obligations of any Warehouse, it shall only take effect after the Warehouse has been given 90 days prior written notice thereof. The Exchange undertakes to consult with the affected Warehouses in relation to the proposed change, where practicable for a reasonable period and in reasonable time prior to the start of that 90 day period, and shall have reasonable regard to representations received. In the event that the Warehouse does not wish to be bound by any such proposed change which has the effect of materially increasing the obligations of the Warehouse, it may serve notice of termination of this Agreement at any time prior to the expiry of such notice period, in which event such change shall not at any time take effect with respect to the Warehouse in question and the Warehouse shall be delisted with effect from the date 90 days after the day the notice of termination is served.

9.11.5 Clauses 9.11.3 and 9.11.4 shall not apply to the Disciplinary Procedures.

9.12 No Assignment

~~A~~[The](#) Warehouse may not assign the benefit of this Agreement to, or declare a trust over such benefit in favour of, any other person (or enter into any analogous arrangement in any jurisdiction) without the prior written consent of the Exchange.

9.13 Information Barriers

[9.13.1](#) Each Related Warehouse shall maintain effective information barriers between it and the relevant Trading Company as specified by the Exchange from time-to-time as set out in the Notice: Information barriers between Warehouse Companies and Trading Companies (Ref: 14/202: A195: W098), or any successor notice. The Related Warehouse shall engage a firm of professional accountants in public practice, the choice to be agreed with the Exchange, to assure that the information barriers it has in place meet the criteria specified by the Exchange, under such assurance standard(s) and in such manner as the Exchange may specify from time to time.

[9.14 Disclosure](#)

[9.14.1](#) [Without implying any duty of confidentiality or other information restrictions on the Exchange, the Warehouse agrees that the Exchange may at any time, if it deems necessary or desirable, disclose to any person or generally publish the following information:](#)

[\(i\) any Delisting or Suspension of the Warehouse; and/or](#)

- (ii) [any exercise by the Exchange of any right under Clause 1.2 including any requirement for additional capital or for the provision of credit protection in the form of cash cover or performance bonds.](#)

10 Interpretation

10.1 Definitions

In this Agreement, unless the context otherwise specifies, the words **"includes"**, **"including"**, **"for example"** and **"in particular"** shall be construed as being **"without limitation"**. Further, the following words and expressions in this Agreement shall, unless the context otherwise requires, bear the following meanings:

"Accounting Principles" [means IFRS or, if the Exchange agrees, the generally agreed accounting principles of the jurisdiction of incorporation of the Warehouse;](#)

"Amendable Details" has the meaning given in Clause 3.1.2;

"Authorised Warehouse" means a warehouse storage facility operated by ~~a~~the Warehouse in a particular Delivery Point, which has been approved by the Exchange for the purpose of this Agreement;

"Automatic PSEIA Termination" [has the meaning given in Clause 9.3.8\(iv\);](#)

"Business Day" has the meaning given in the Rules;

"Cancelled Tonnage" [means metal that has been taken off Warrant, but which \(at the relevant time\) remains on the Warehouse's premises;](#)

"Charge Cap Information" has the meaning given in Clause 5.3.7;

"Charge Caps" has the meaning given in Clause 5.3.1;

"Contract" has the meaning given in the Rules;

"Corrupt Act" has the meaning given in Clause 7.5.3

"Delist" [means the Warehouse being delisted or otherwise ceasing to be an LME listed warehouse company in accordance with the Rules or this Agreement \(including pursuant to Clause 9.4\), and "Delisted" and "Delisting" shall have the corresponding meaning.](#)

"Delivery Point" ~~shall mean~~[means](#) a specific geographic area within which warehouses are listed and approved by the LME for the issue of Warrants;

"Delivery Point Country" ~~shall mean~~[means](#) a country in which one or more Delivery Points is located;

"Depository" means the person appointed by the Exchange from time to time to act as such for the purposes of LMEsword;

"Directors" means the directors of the Exchange from time to time;

"discounted charges" [has the meaning given in Clause 9.3.8\(iv\);](#)

"Disciplinary Procedures" has the meaning given in Clause 8;

"the Exchange" means The London Metal Exchange;

"the Financial Conduct Authority" means the regulator (Company No. 01920623) currently based at ~~25 The North Colonnade, Canary Wharf~~ 12 Endeavour Square, London E14 5HS 20 1JN 25, or any successor body;

"Force Majeure" means an event which is beyond the reasonable control of the Warehouse and which is, in the opinion of the Exchange, likely to render the Warehouse unable to perform its obligations under this Agreement either permanently or for more than 30 days or such other period of time that would, in the Exchange's view, have such a serious effect on the Warehouse that in business terms it would be tantamount to a permanent cessation, including, ~~without limitation~~, any act of war, terrorism, insurrection, revolution, act of God or the imposition of legal, regulatory or tax restrictions in any relevant location;

"FOT" means free on truck;

"Group" means, in relation to ~~a company~~ the Warehouse, any subsidiary or any holding company from time to time of ~~that company~~ the Warehouse, and any subsidiary from time to time of a holding company of ~~that company~~ the Warehouse. The terms "holding company" and "subsidiary" have the meanings given to them in section 1159 of the Companies Act 2006;

"IFRS" means international accounting standards within the meaning of IAS Regulation 1606/2002 to the extent applicable to the relevant financial statements;

"Inducement" means, without limitation, any fee, commission, discount, rebate, provision of transport services, or any other monetary or non-monetary benefit given to attract the load-in of metal or deter the load-out of metal (and shall include, without limitation, any Post-Sale Economic Incentive Arrangement);

"Later Metal Owner" means any person who purchases a Warrant from an Original Metal Owner, and any other person who subsequently becomes a Warrant holder in respect of such Warrant (including by receiving the Warrant in settlement of a Contract), during such time as the metal underlying such Warrant remains in the Warehouse;

"LCIA" means the London Court of International Arbitration;

"LME" means The London Metal Exchange;

"LME Facility Storage Agreement" has the meaning given in clause 6.3.1.1;

"LME Good Delivery Location" means a Location approved as a Delivery Point pursuant to the LME Policy on the Approval of Locations as Delivery Points;

"LME Group" means, in relation to the LME, any subsidiary or any holding company from time to time of the LME, and any subsidiary from time to time of a holding company of the LME, including ~~without limitation~~, the Hong Kong Exchanges and Clearing Limited (HKEx). The terms "holding company" and "subsidiary" shall have the meanings given to them in section 1159 of the Companies Act 2006.

"LME Off-Warrant Storage Agreement" has the meaning given in clause 6.3.1.4;

"LME Voluntary Reporting Agreement" has the meaning given in Clause 6.3.1.3;

"LME Warranting Agreement" has the meaning given in clause 6.3.1.2;

"LMEsword" means the system for, inter alia, the electronic transfer of title to Warrants governed and constituted by the LMEsword Regulations;

“LMEsword Regulations” means the regulations governing the operation of LMEsword issued by the Exchange as amended from time to time in accordance with the terms thereof;

"load-out" has the meaning given in the Exchange's Policy on the Approval and Operation of Warehouses, as revised from time to time;

"Insolvent" means, in relation to a person:

- (i) that person:
 - (a) is unable or admits inability to pay its debts as they fall due;
 - (b) suspends making payments on any of its debts; or
 - (c) by reason of actual or anticipated financial difficulties, commences negotiations with one or more of its creditors (excluding the Exchange) with a view to rescheduling any of its indebtedness;
- (ii) the value of its assets is less than its liabilities (taking into account contingent and prospective liabilities).
- (iii) a moratorium is declared in respect of any of its indebtedness;
- (iv) any corporate action, legal proceedings or other procedure or step is taken in relation to:
 - (a) the suspension of payments, a moratorium of any indebtedness, winding-up, dissolution, administration or reorganisation (by way of voluntary arrangement, scheme of arrangement or otherwise) of that person other than a solvent liquidation or reorganisation of that person;
 - (b) a composition, compromise, assignment or arrangement with any creditor of that person;
 - (c) the appointment of a liquidator (other than in respect of a solvent liquidation of the person), receiver, administrative receiver, administrator, compulsory manager or other similar officer in respect of that person or any of its assets; or
 - (d) enforcement of any security over any assets of that person,
or any analogous procedure or step is taken in any jurisdiction (save that this paragraph (iv) shall not apply to any winding-up petition which is frivolous or vexatious and is discharged, stayed or dismissed within 14 days of commencement;

"London Agent" has the meaning given in Clause 1.3.1;

"Major Currency" has the meaning given in the Rules;

"Market Abuse" means the types of behaviour proscribed by section 118 of the Financial Services and Markets Act 2000 or any successor law or regulation;

"Member" means a member of the Exchange;

“Operating Procedures” means the manual issued by the Exchange pursuant to the LMEsword Regulations setting out detailed procedures and information relating to the operation of LMEsword;

“Original Metal Owner” means, in respect of any Warrant, the Warrant holder that first placed the underlying metal on Warrant;

“person” includes an individual, partnership, unincorporated association and body corporate;

“Post-Sale Economic Incentive Arrangement” means any agreement between a Warehouse and an Original Metal Owner, under which the Original Metal Owner has a right to benefit from any income or other benefits received by the Warehouse in respect of metal underlying a Warrant, for some or all of the period between (i) the sale of the Warrant by the Original Metal Owner to any Later Metal Owner(s) and (ii) the load-out of the metal from the Warehouse (but shall not include the payment by the Warehouse of a fixed payment to an Original Metal Owner, including where the Warehouse intends to recoup such fixed payment from revenues received following the sale of the metal by the Original Metal Owner);

“Public Official” means an official, whether elected or appointed, who holds a legislative, administrative or judicial position of any kind of a country or territory inside or outside the UK;

“Queue” means circumstances where load-out requests cannot be serviced immediately by ~~at~~the Warehouse, measured by the number of calendar days a metal owner cancelling a Warrant today must wait for a scheduled delivery slot~~;~~;

“Related Warehouse” means a Warehouse which is associated with a Trading Company. For the purpose of this definition, a Warehouse is associated with a Trading Company where the Warehouse is a subsidiary or holding company of a Trading Company, or a subsidiary or holding company of one of a Trading Company’s subsidiaries or holding companies or otherwise has a Close Connection with a Trading Company. The terms “holding company” and “subsidiary” have the meanings given to them in section 1159 of the Companies Act 2006. A Warehouse shall have a “Close Connection” with a Trading Company if any person or company either directly or indirectly holds or otherwise effectively controls 20% or more of the shares or voting rights in both the Warehouse and the Trading Company; or any Trading Company directly or indirectly holds or effectively controls 20% or more of the shares or voting rights of the relevant Warehouse (or vice versa);

“Relevant Law and Regulation” means the laws, rules and regulations of any statutory, governmental or regulatory authority in any country relevant to the operations of the Warehouse including ~~without limitation~~ the principles, rules and standards of the Financial Conduct Authority as in force from time to time;

“Rules” means the rules and regulations issued by the Exchange (and incorporating the LMEsword Regulations) governing the London Metal Exchange administered by the Exchange as the same may be amended in accordance with Article 71 of the Articles of Association of the Exchange and a reference to a Rule shall be construed accordingly;

“Secretary” means any person appointed to perform the duties of Secretary of the Exchange;

"Special Committee" means the Special Committee of the LME, as maintained by the LME from time-to-time, details of which are published on the LME's website;

"Special Contract Rules for Metals" means Part 6 of the Rules as the same may be amended from time to time;

"Suspend" means the suspension of the ability of the Warehouse to issue Warrants pursuant to the Rules or this Agreement (including pursuant to Clause 1.2.5(B)), and **"Suspended"** and **"Suspension"** shall have the corresponding meaning.

~~"LMEsword" means the system for, inter alia, the electronic transfer of title to Warrants governed and constituted by the LMEsword Regulations;~~

~~"LMEsword Regulations" means the regulations governing the operation of LMEsword issued by the Exchange as amended from time to time in accordance with the terms thereof;~~

"this Agreement" means the agreement between ~~each~~the Warehouse and the Exchange incorporating these terms and conditions as amended from time to time in accordance herewith and incorporating the Disciplinary Procedures in accordance with Clause 8 hereof;

"Trading Company" ~~shall mean~~means any Member or non-Member company that enters into Contracts or trades metal that is deliverable against a Contract;

"Warehouse" means a warehouse company which is party to this Agreement, accepted as such by the Exchange and listed in Appendix III of the Rules;

"Warehousing Committee" means the LME warehousing committee, details of which are set out on the LME website www.lme.com;

"Warehouse Maximum Charge Levels" has the meaning given in Clause 5.2.1;

"Warrant" means a warehouse warrant for the storage of metal, issued by ~~at~~the Warehouse in accordance with this Agreement and in a form approved by the Exchange.

10.2 Interpretation

10.2.1 Where this Agreement refers to a document or thing being "prescribed", that shall mean prescribed by the Exchange from time to time in a notice issued by it to Warehouses.

10.2.2 Words importing the singular shall, where the context permits, include the plural and vice versa. Words importing gender shall include each gender.

10.2.3 Where this Agreement refers to an act being undertaken by the Exchange, that act may be performed by the Exchange acting through the Directors of the Exchange or any duly authorised committee of the Directors of the Exchange or duly authorised individual.

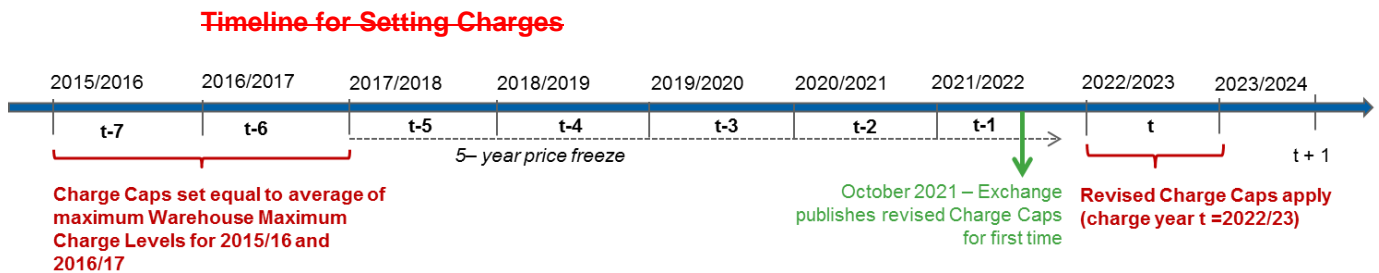
11 Principles of conduct

~~A~~The Warehouse shall:

- 11.1 Conduct its business with due skill, care and diligence, observing high standards of conduct and safety, complying with the warehouse agreement, the LMEsword regulations, these principles, the common standards of working practice for warehouse companies, other requirements for warehouse companies set by the Exchange, and Relevant Law and Regulation.
- 11.2 Not engage in behaviour which would manipulate or distort the Exchange's markets, nor create or attempt to create a disorderly market, nor require or encourage or assist others to do so. In particular, without limitation, not engage in any behaviour which would be likely to manipulate or distort the market with the effect of creating or maintaining a Queue.
- 11.3 At all times observe high standards of integrity and fair dealing, observe high standards of market conduct, and not enter into any arrangement or agreement that prohibits the provision of any information that the LME requests in its role as a Recognised Investment Exchange.
- 11.4 Maintain financial resources at or above the minimum level set by the LME to ensure continuity in the provision of services for owners of metal on LME warrant, ~~and shall have in place a performance bond (if required by the Exchange) in the manner and of the amount prescribed by the Exchange.~~
- 11.5 Manage conflicts of interest fairly, both between itself and holders of metal on LME warrant and between holders of metal on LME warrant, ensuring fair and equitable treatment to all holders of metal on LME warrant at all times.
- 11.6 Ensure that all metal held on LME warrants is stored continuously in good delivery condition and that it is identified and stored so as to facilitate easy access and delivery without undue delay.
- 11.7 Deal with those placing metal on LME warrant, those holding LME warrants and those taking metal off LME warrant on a fair and equitable basis.
- 11.8 Organise and control its affairs in a responsible manner, keep proper records, retain all relevant documentation, have well-defined procedures for handling metal stored on LME warrant and for delivering it out expeditiously, ensure that its employees or agents are suitable, adequately trained and properly supervised, and that it has well-defined procedures to ensure compliance with this Agreement, the LMEsword Regulations and the Operating Procedures and all other LME rules and requirements applicable to Warehouses.
- 11.9 Pay due regard to the information needs of LME warrant holders by having transparency of: normal hours of work, all delivery in and load-out charges, rent and rent payment dates, and total average daily load-out volume rates by metal and mode of transport.
- 11.10 Arrange adequate protection for metal held on LME warrant by insuring it against unexplained losses and losses caused by error, negligence, or fraudulent actions of its servants or agents or its personnel.
- 11.11 Deal with the LME in an open and co-operative manner, keeping it informed promptly of anything concerning the suitability of its warehouses or its continued suitability as a warehouse company, or about metal stored with it or that it knows will be placed on or taken off LME warrant, that the LME, as a Recognised Investment Exchange (as defined by the Financial Conduct Authority), which has responsibility for ensuring that its markets are proper and orderly and not subject to abuse, might reasonably expect to be disclosed to it.

Appendix A

Charge Cap Increase Mechanism



Formula for FOT

The Exchange shall apply the following formula for increasing the Charge Cap for FOT in accordance with Clause 5.3.4 of ~~the~~[this](#) Agreement:

(1) Define the Charge Cap applied in 2017/18 as follows:

$P_{\text{avg 2015-17, local currency}}$ is the arithmetic average of the highest Warehouse Maximum Charge Level levied by any Warehouse within the Delivery Point Country, as published by the Exchange in (i) December 2014, for the period 1 April 2015 to 31 March 2016, and (ii) February 2016, for the period 1 April 2016 to 31 March 2017.

(2) Apply historical change in CPI to the price in local currency

For all charging years following 1 April ~~2024~~[2026](#)-31 March ~~2022~~[2027](#), for each charge year t, set the Charge Cap (P_t) as follows:

$$P_{t, \text{local}} = P_{\text{avg 2015 - 17, local currency}} \times \text{ACPI}_{\text{august } t-1} / \text{ACPI}_{\text{august } ~~2020~~[2025](#)}$$

Where

$\text{ACPI}_{\text{august } t-1}$ is the arithmetic average of the local monthly CPI index published in the 12 months up to and including August of year t-1; and

$\text{ACPI}_{\text{august } 2020}$ is the arithmetic average of the local monthly CPI index published in the 12 months up to and including August in the year 2020.

However, if $P_{t, \text{local}}$ would be lower than $P_{t-1, \text{local}}$, then $P_{t, \text{local}}$ will instead be set to $P_{t-1, \text{local}}$.

The above formula assumes that the CPI index value shall be measured relative to August, on the basis that the Exchange publishes the Charge Cap in October (CPI monthly data is published with a one month lag). If the Exchange publishes the Charge Cap in a different month, the formula shall be adjusted accordingly. This shall be the case for all formula in this Appendix A.

Formula for rental charges

The Exchange shall apply the following formula for increasing the Charge Cap for rent in accordance with Clause 5.3.4 of ~~the~~[this](#) Agreement:

(1) Define the Charge Cap applied in 2017-2018 as follows:

$P_{\text{avg 2015-17, \$}}$ is the arithmetic average of the highest Warehouse Maximum Charge Level levied by any Warehouse within the Delivery Point Country, as published by the Exchange in (i) December 2014, for the period 1 April 2015 – 31 March 2016, and (ii) February 2016, for the period 1 April 2016 – 31 March 2017.

Define the Charge Cap for rent in the local currency as follows:

$$P_{\text{avg 2015 - 17, local currency}} = P_{\text{avg 2015 - 17, US\$}} \times \text{FX\$}_{\text{avg 2015 - 17}}$$

Where

FX\$_{avg 2015 – 17} corresponds to the average daily local currency/US\$ exchange rate for the two charge years, running over the period 1 April 2015 – 31 March 2017 and 1 April 2016 – 31 March 2017.

(2) Apply historical change in CPI (12M average) to the price in local currency

For all charging years following 1 April 20242026 – 31 March 20222027, for each charge year t, set the Charge Cap (P_t) as follows:

$$P_{t, \text{local}} = P_{\text{avg 2015 - 17, local currency}} \times ACPI_{\text{august } t-1} / ACPI_{\text{august } 20202025}$$

Where

$ACPI_{\text{august } t-1}$ is the arithmetic average of the local monthly CPI index published in the 12 months up to and including August of year t-1; and

$ACPI_{\text{august } 20202025}$ is the arithmetic average of the local monthly CPI index published in the 12 months up to and including August in the year 20202025.

(3) Convert back to US\$

$$P_{t, \$} = P_{t, \text{local}} / FX\$_{\text{august } t-1}$$

where FX\$_{august t-1} is the average daily local currency/US\$ exchange rate, measured over an annual period up to and including 31 August in the year prior to the charge year t.

However, if P_{t, \$} would be lower than P_{t-1, \$}, then P_{t, \$} will instead be set to P_{t-1, \$}.

ADDITIONAL FORMULAE

- (1) Where the Exchange determines a new Charge Cap in accordance with Clause 5.3.5 of ~~the~~this Agreement, or the Special Committee determines a Charge Cap in accordance with Clause 5.3.6 of ~~the~~this Agreement, in either case during the five year price freeze period contemplated by Clauses 5.3.2 and 5.3.3 of ~~the~~this Agreement, the following formulae shall apply when increasing the Charge Cap in accordance with Clause 5.3.4 of ~~the~~this Agreement:

FOT

(1) Define the Charge Cap determined by the Exchange / Special Committee as follows:

P_{sp cmte, local} is the Charge Cap for FOT determined by the Exchange / Special Committee in the local currency.

(2) Apply historical change in CPI to the price in local currency

For all charging years following 1 April 20242026 – 31 March 20222027, for each charge year t, set the Charge Cap (P_t) as follows:

$$P_{t, \text{local}} = P_{\text{sp cmte, local}} \times ACPI_{\text{august } t-1} / ACPI_{\text{august } 20202025}$$

Where

$ACPI_{\text{august } t-1}$ is the arithmetic average of the local monthly CPI index published in the 12 months up to and including August of year t-1; and

$ACPI_{\text{august } 20202025}$ is the arithmetic average of the local monthly CPI index published in the 12 months up to and including August in the year 20202025.

However, if P_{t, local} would be lower than P_{t-1, local}, then P_{t, local} will instead be set to P_{t-1, local}.

Rental Charges

(1) Define the Charge Cap determined by the Exchange / Special Committee as follows:

P_{sp cmte, US\$} is the Charge Cap for rent determined by the Exchange / Special Committee in US\$.

Define the Charge Cap for rent in the local currency as follows:

$$P_{\text{sp cmte, local currency}} = P_{\text{sp cmte, US\$}} \times FX\$_{\text{sp cmte}}$$

Where

FX\$_{sp cmte} is the average daily local currency/US\$ for the annual period measured up to and including 31 August in the year prior to the year for which the Exchange / Special Committee determines a Charge Cap.

(2) Apply historical change in CPI (12M average) to the price in local currency

For all charging years following 1 April 2021-2026 – 31 March 2022-2027, for each charge year t, set the Charge Cap (P_t) as follows:

$$P_{t, \text{local}} = P_{\text{sp cmte, local currency}} \times \text{ACPI}_{\text{august } t-1} / \text{ACPI}_{\text{august } 2020-2025}$$

Where

ACPI_{august t-1} is the arithmetic average of the local monthly CPI index published in the 12 months up to and including August of year t-1; and

ACPI_{august 2020-2025} is the arithmetic average of the local monthly CPI index published in the 12 months up to and including August in the year 2020-2025.

(3) Convert back to US\$

$$P_{t, \$} = P_{t, \text{local}} / \text{FX\$}_{\text{august } t-1}$$

where FX\$_{august t-1} is the average daily local currency/US\$ exchange rate, measured over an annual period up to and including 31 August in the year prior to the charge year t.

However, if P_{t, \$} would be lower than P_{t-1, \$}, then P_{t, \$} will instead be set to P_{t-1, \$}.

- (2) Where the Exchange determines a new Charge Cap in accordance with Clause 5.3.5 of ~~the~~this Agreement, or the Special Committee determines a Charge Cap in accordance with Clause 5.3.6 of ~~the~~this Agreement, in either case after the five year price freeze period contemplated by Clauses 5.3.2 and 5.3.3 of ~~the~~this Agreement, the following formulae shall apply when increasing the Charge Cap in accordance with Clause 5.3.4 of ~~the~~this Agreement:

FOT

(1) Define the Charge Cap determined by the Exchange / Special Committee as follows:

P_{sp cmte, local} is the Charge Cap for FOT determined by the Exchange / Special Committee in the local currency.

(2) Apply historical change in CPI to the price in local currency

For charge years t following the charge year for which the Exchange / Special Committee made a determination, set Charge Cap (P_t) as follows:

$$P_{t, \text{local}} = P_{\text{sp cmte, local currency}} \times \text{ACPI}_{\text{august } t-1} / \text{ACPI}_{\text{august sp cmte } -2}$$

Where

ACPI_{august t-1} is the arithmetic average of the local monthly CPI index published in the 12 months up to and including August of year t-1; and

ACPI_{august sp cmte -2} is the arithmetic average of the local monthly CPI index published in the 12 months up to and including August in the year two years prior to the determination of the Charge Cap by the Exchange / Special Committee. For example, if the Exchange / Special Committee makes a determination for the charge year beginning 1 April 2025-2030, the relevant CPI in this case is the 12 months up to and including August 2023-2028.

However, if P_{t, local} would be lower than P_{t-1, local}, then P_{t, local} will instead be set to P_{t-1, local}.

Rental Charges

(1) Define the Charge Cap determined by the Exchange / Special Committee as follows:

P_{sp cmte, US\$} is the Charge Cap for rent determined by the Exchange / Special Committee in US\$.

Define the Charge Cap in the local currency as follows:

$$P_{\text{sp cmte, local currency}} = P_{\text{sp cmte, US\$}} \times \text{FX\$}_{\text{sp cmte}}$$

Where

$\text{FX\$}_{\text{sp cmte}}$ is the average daily local currency/US\$ for the annual period measured up to and including 31 August for the year prior to the year for which the Exchange / Special Committee determines a Charge Cap.

(2) Apply historical change in CPI (12M average) to the price in local currency

For each charging year t following a determination by the Exchange / Special Committee, set the Charge Cap (P_t) as follows:

$$P_{t, \text{local}} = P_{\text{sp cmte, local currency}} \times \text{ACPI}_{\text{august } t-1} / \text{ACPI}_{\text{august sp cmte } -2}$$

Where

$\text{ACPI}_{\text{august } t-1}$ is the arithmetic average of the local monthly CPI index published in the 12 months up to and including August of year $t-1$; and

$\text{ACPI}_{\text{august sp cmte } -2}$ is the arithmetic average of the local monthly CPI index published in the 12 months up to and including August in the year two years prior to the determination of the Charge Cap by the Exchange / Special Committee. For example, if the Exchange / Special Committee makes a determination for the charge year beginning 1 April ~~2025~~2030, the relevant CPI in this case is the 12 months up to and including August ~~2023~~2028.

(3) Convert back to US\$

$$P_{t, \$} = P_{t, \text{local}} / \text{FX\$}_{\text{august } t-1}$$

where $\text{FX\$}_{\text{august } t-1}$ is the average daily local currency/US\$ exchange rate, measured over an annual period up to and including 31 August in the year prior to the charge year t .

However, if $P_{t, \$}$ would be lower than $P_{t-1, \$}$, then $P_{t, \$}$ will instead be set to $P_{t-1, \$}$.

DEFINITIONS AND AVAILABILITY OF CPI

The following table sets out the official index name and source for the CPI indexation of Charge Caps.

CPI measures by country

Country	Official index name	Definition	Original source	Data available monthly
Belgium	Consumer Price Index - General index	The Belgium IPC measures the changes in the retail prices, inclusive of VAT, of a fixed set of goods and services used by households.	Statistics Belgium	✓
Germany	Consumer Price Index - Overall index	The index tracks the change in the prices of a basket of goods and services bought by the reference population for the purposes of consumption. Types of prices: Prices measured are actual prices to the consumer and include turnover taxes and VAT, taking into account rebates.	Statistisches Bundesamt Deutschland	✓
Italy	Consumer Price Index - All items	The index provides a measure of temporal change in the prices of a basket of goods and services destined to final private consumption. Types of prices: the total prices of products, whether fully or partially paid by consumers.	ISTAT	✓
Japan	Consumer Price Index - All items	The index measures monthly changes in the general level of prices of goods and services that households acquire for consumption. Type of prices: Prices are transaction prices, excluding temporary reductions, special sales, etc.	Statistics Bureau of Japan	✓
Korea	Consumer Price Survey (Index) - Total	The Consumer price index is produced by collecting the prices of goods and services purchased for consumption purposes. Type of prices: Actual transaction prices inclusive of sales taxes.	KOSTAT	✓
Netherlands	Consumer Price Index - All Categories	The index measures monthly changes in the general level of prices of goods and services bought for consumption. Types of prices: Consumption expenditure is valued at purchasers' prices.	CBS	✓
Spain	Consumer Price Index - Overall index	The Consumer Price Index (CPI) measures monthly changes in the general level of prices of goods and services bought by private households for consumption purposes. Types of prices: Retail prices, including sales taxes and other taxes, and price reductions (since January 2002) but excludes special offers and deferred payments.	INE	✓
Sweden	Consumer Price Index - Total	The CPI shows the average change in prices of a fixed basket of goods and services available for private consumption. Types of prices: Prices actually paid by consumers including taxes and without any addition of subsidies.	SCB	✓
United Kingdom	CPI All Items Index	The index provide an average measure of change in prices of goods and services bought for the purpose of consumption. Type of prices: Cash prices, inclusive of taxes such as VAT. Rebates are considered on a case by case basis.	ONS	✓
United States	Consumer Price Index-All Urban Consumers - U.S. All items	The CPI measures pure price change in a market basket of goods and services of constant quality purchased for everyday living by all residents in urban areas. Tax/rebates: The prices include any applicable taxes, discounts and rebates.	US Bureau of Labour Statistics	✓
Malaysia	Total Consumer Price Index	The Consumer Price Index (CPI) measures the percentage change through time in the cost of purchasing a constant "basket" of goods and services representing the average pattern of purchases made by a particular population group in a specified time period.	Department of Statistics, Malaysia	✓
Singapore	Consumer Price Index - All items	The CPI is designed to measure the average price changes of a fixed basket of goods and services commonly purchased by the households over time. Types of prices: Transaction prices (including taxes) actually paid.	Department of Statistics, Singapore	✓
Taiwan	Consumer Price Index	The consumer price index (CPI) is a weighted average price which measures the changes in the price level of consumer goods and services generally purchased by households for consumption purposes.	National Statistics, Republic of China (Taiwan)	✓
UAE	Consumer Price Index - All items	The Consumer Price Index (CPI) measures the average price changes in a fixed basket of consumption goods and services.	Federal Competitiveness and Statistics Authority	✓

FX data sources

Country	Data periodicity	Original source
Belgium	Daily, monthly, annual	International Monetary Fund, International Financial Statistics
Germany	Daily, monthly, annual	International Monetary Fund, International Financial Statistics
Italy	Daily, monthly, annual	International Monetary Fund, International Financial Statistics
Japan	Daily, monthly, annual	International Monetary Fund, International Financial Statistics
Korea	Daily, monthly, annual	International Monetary Fund, International Financial Statistics
Netherlands	Daily, monthly, annual	International Monetary Fund, International Financial Statistics
Spain	Daily, monthly, annual	International Monetary Fund, International Financial Statistics
Sweden	Daily, monthly, annual	International Monetary Fund, International Financial Statistics
United Kingdom	Daily, monthly, annual	International Monetary Fund, International Financial Statistics
United States	Daily, monthly, annual	International Monetary Fund, International Financial Statistics
Malaysia	Daily, monthly, annual	International Monetary Fund, International Financial Statistics
Singapore	Daily, monthly, annual	International Monetary Fund, International Financial Statistics
Taiwan	Daily, monthly, annual	Federal Reserve
UAE	Daily, monthly, annual	International Monetary Fund, International Financial Statistics

Note: Data available from the IMF, defined as: Official exchange rate (LCU per US\$, period average): this rate refers to the exchange rate determined by national authorities or to the rate determined in the legally sanctioned exchange market.

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Embedded Excel	0
Format changes	0
Total Changes:	614

DRAFT FOR CONSULTATION - 25 July 2019**Terms and conditions applicable to all LME listed warehouse companies****1 Conditions for and entitlements of listing****1.1 Application**

To become an LME listed warehouse company, a warehouse company shall:

- 1.1.1 execute the agreement of which these terms and conditions form a part (as contemplated by the definition of "**this Agreement**");
- 1.1.2 duly complete the forms prescribed by the Exchange attached as Schedule A and B hereto and pay any initial listing fees prescribed by the Exchange; and
- 1.1.3 comply with regulation 2.2 of the LMEsword Regulations.

1.2 Financial status including capital

1.2.1 Without prejudice to Clause 7.3, the Warehouse must:

- (i) no later than 210 days after the end of each of its financial years, provide the Exchange with:
 - (a) its annual audited accounts; or
 - (b) the annual audited consolidated accounts of the Group, for that financial year;
- (ii) no earlier than 60 days, and no later than 30 days, prior to the start of each of its financial years, provide the Exchange with a cash flow forecast for that financial year,

and the Warehouse must exercise due skill, care and diligence in preparing such accounts and forecasts, and shall ensure that such accounts and forecasts are based on appropriate financial information and comply with the Accounting Principles (and for the avoidance of doubt (and without prejudice to (iv) below), the Warehouse shall not be in breach of (i) or (ii) above if any such account or forecast is not accurate at any point in time after its submission to the Exchange due to, and to the extent of, any change in the circumstances of the Warehouse or its Group during the period between submission and that point in time, that was not foreseeable or prudent to account-for having regard to the level of due skill, care and diligence required by this clause);

- (iii) as soon as practicable (but in any event within seven days) upon request at any time, provide the Exchange with any information and documents (including management accounts) relating to the financial status (including capital and/or cash flow), insurance arrangements, status, assets, business and/or operations of the Warehouse, the Group or any member of the Group; and
- (iv) immediately notify the Exchange if at any time:

- (a) it is or becomes Insolvent, or it is likely to become Insolvent; and/or
 - (b) there has been a material adverse change in the assets, business or financial condition of the Warehouse, the Group or any member of the Group since the date of this Agreement.
- 1.2.2 The Exchange shall publish the standards by which it determines capital adequacy for LME listed warehouse companies, and may from time to time publish revisions of those standards. Without prejudice to Clause 1.2.4, the Warehouse shall ensure that it is adequately capitalised at all times in accordance with the most recent of such published standards.
- 1.2.3 The Exchange shall assess, against such published standards, whether the Warehouse's available capital is adequate by using such information as is available to the Exchange. In assessing whether the Warehouse's available capital is adequate, the Exchange may, at its discretion, disregard what are, in its view, immaterial or temporary failures to meet such published standards.
- 1.2.4 If at any time the Exchange is not satisfied with the Warehouse's capital, cash flow or other aspect of its financial status, the Exchange may increase the level of capitalisation to be maintained by the Warehouse (to a level in excess of that required pursuant to Clause 1.2.2) and the Warehouse shall as soon as practicable (but in any event within seven days) increase its capital accordingly and provide the Exchange with evidence of the increase.
- 1.2.5 Notwithstanding Clauses 1.2.1 to 1.2.4, and without prejudice to Clause 9.4.1 (including Clause 9.4.1.2), if at any time:
 - (i) the Exchange is not satisfied with:
 - (a) the capital, cash flow and/or any other aspect of the financial status of the Warehouse, the Group or any member of the Group;
 - (b) any aspect of the insurance arrangements of the Warehouse, the Group or any member of the Group; or
 - (c) any other aspect of the status, assets, business or operations of the Warehouse, the Group or any member of the Group; or
 - (ii) the Exchange determines that the Warehouse, the Group or any member of the Group is Insolvent, or is likely to become Insolvent,
 the Exchange may:
 - (A) require the Warehouse to provide the Exchange with credit protection in the form of a performance bond or cash cover, and the provisions of Clause 1.2.6 shall apply to such credit protection; and/or
 - (B) suspend the entitlement of the Warehouse to issue further Warrants, and upon receiving notice of such suspension the Warehouse shall immediately stop issuing further Warrants.

1.2.6 Terms relating to credit protection provided by Warehouses

- (i) The Exchange shall determine:
 - (a) whether the credit protection is in the form of a performance bond or cash cover (or a mix of both);
 - (b) the amount and currency(ies) of the credit protection;
 - (c) in the case of a performance bond:
 - (I) its expiry date;
 - (II) its terms; and
 - (III) the conditions applying to the bank or insurance company that issues it (including the location and credit rating of the issuer).
- (ii) “performance bond” refers to any on demand independent payment instrument issued by a bank or insurance company in favour of the Exchange, including performance bonds, standby letters of credit, bank guarantees and on-demand guarantees.
- (iii) “cash cover” refers to money paid to the Exchange and treated by the Exchange as its own funds, and constitutes a debt arrangement between the Exchange and the Warehouse (subject to the terms of this Agreement), and not a security arrangement (meaning neither the Warehouse nor any third party shall have any proprietary interest in such money or funds); cash cover shall not accrue interest.
- (iv) The Warehouse shall at its own cost provide the relevant credit protection as soon as practicable (but in any event within seven days) upon the Exchange requiring it in accordance with Clause 1.2.5.
- (v) The Warehouse shall at its own cost provide additional credit protection (and/or increase or extend any performance bond) as soon as practicable (but in any event within seven days) upon the Exchange requiring it at any time, including if the Exchange requires additional credit protection sufficient to cover the number of warrants issued or expected to be issued by the Warehouse.
- (vi) If the Exchange informs the Warehouse at any time that it is not satisfied with the identity or financial status of the bank or insurance company that issued a performance bond, the Warehouse shall at its own cost as soon as practicable (but in any event within seven days) upon the Exchange requiring it provide a replacement performance bond from a bank or insurance company with whom the Exchange is satisfied, and upon such replacement being issued, the Exchange shall release the replaced performance bond.
- (vii) The Exchange may at any time and from time to time make demands on any performance bond, and the proceeds received by the Exchange shall constitute cash cover. Without limiting the generality of the foregoing, the Exchange may call on a performance bond if at any time

the Exchange has concerns about the financial status of the issuer or if the expiry date of the performance bond is imminent.

- (viii) The Exchange may at any time use any cash cover:
 - (a) to settle any sum due by the Warehouse to the Exchange;
 - (b) to settle any sum which the Exchange believes is due by the Warehouse to any third party (including any landlord or warrant holder);
 - (c) in any way which the Exchange determines is necessary or desirable to achieve or facilitate the release to or retrieval by any warrant holder of any metal held by the Warehouse;
 - (d) to meet the costs (including legal costs) incurred by any warrant holder of metal held by the Warehouse in obtaining the release of that metal, in retrieving that metal and/or in moving that metal to another location or warehouse; and/or
 - (e) to provide compensation to any warrant holder for the operational and other burdens suffered as a result of that warrant holder retrieving or trying to retrieve any metal held by the Warehouse.
- (ix) If at any time the Exchange determines that none of the grounds set out in Clause 1.2.5(i) and (ii) exists, the Exchange shall:
 - (a) release each performance bond and pay a sum to the Exchange equal to any cash cover after taking account of any amount used by the Exchange as contemplated by paragraph (viii) above; and/or
 - (b) lift the suspension on the Warehouse issuing new Warrants.
- (x) The Warehouse shall promptly and at its own cost take any step and sign any document in relation to any credit protection or any other aspect of clause 1.2.5 and this clause 1.2.6 as the Exchange may at any time and from time to time require.
- (xi) The Exchange shall act reasonably and in good faith in relation to any credit protection or any other aspect of clause 1.2.5 and this clause 1.2.6.
- (xii) Notwithstanding any other provision of this Agreement (including paragraph (xi) above and paragraph (xiii) below), the Warehouse agrees that the Exchange shall not be liable to the Warehouse for any losses the Warehouse may suffer as a result of it providing any such credit protection, the Exchange calling on or using any such credit protection, provided that any such loss is not caused by the gross negligence or wilful default of the Exchange.
- (xiii) The Warehouse acknowledges that if the Exchange were to exercise any of its rights pursuant to the Rules and/or this Agreement to Delist or Suspend the Warehouse, or to call for additional capital or credit protection in the form of cash cover or performance bonds,

circumstances may at that time be such as to cause financial problems, or exacerbate existing financial problems, for the Warehouse, and may cause or quicken the Warehouse becoming Insolvent, and the Warehouse to the fullest extent permitted by applicable law waives any claims that it may have against the Exchange in relation thereto.

1.3 London Agent

- 1.3.1 The Warehouse must appoint and maintain at all times an agent in or, in the opinion of the Exchange, sufficiently proximate to the City of London (a “**London Agent**”) to act on its behalf, to carry out certain of its obligations under this Agreement and the LMEsword Regulations, and, if the Warehouse is not incorporated in England and Wales, also to act as its agent for service of process.
- 1.3.2 A London Agent may be a person independent from the Warehouse or be a branch or affiliated company of the Warehouse.
- 1.3.3 The Warehouse must obtain the prior approval of the Exchange to the appointment, or any change in the appointment, of its London Agent from time to time.
- 1.3.4 The Warehouse shall be responsible for all of the acts and omissions of its London Agent undertaken in its capacity as such. The Exchange and other persons shall be entitled to assume the Warehouse’s London Agent acts with the full authority of the Warehouse until such time as the Exchange has received written notice from the Warehouse that the London Agent has ceased to act as such. This term shall not affect the rights and obligations of the Warehouse and its London Agent inter se.

1.4 LMEsword

The Warehouse must comply, and procure that its London Agent complies, with the LMEsword Regulations and Operating Procedures, which shall insofar as they relate to the Warehouse or its London Agent be deemed to be incorporated into this Agreement.

1.5 Restrictions

- 1.5.1 An Authorised Warehouse may be used by only one LME authorised warehouse operator and to the extent that it is used for the storage of any metals which are permitted to be the subject of a Contract, may not also be used to store such metals which are deliverable on any other exchanges.
- 1.5.2 The Warehouse may not deal directly or indirectly in Contracts, and shall observe such other requirements contained in Relevant Law and Regulation, and any Exchange notice relating to the separation of LME listed warehouse operators from Members and the maintenance of confidentiality in respect of price sensitive and customer confidential information.

1.6 Description of Warehouse

The Warehouse may, following its approval by the Exchange as a listed warehouse company, describe itself as an “LME listed warehouse company” and its Authorised

Warehouses as “LME listed warehouses”, for as long as it retains its listed status as provided for herein.

1.7 Availability of Rules

The Warehouse may from at any time be sent a copy of the Rules and LMEsword Regulations and Operating Procedures as amended from time to time. The Warehouse shall ensure that its London Agent obtains and keeps up to date its own copies of such documents direct from the Exchange and is also provided with a copy of this Agreement. Where the Warehouse operates in more than one location it shall ensure that each location is kept up to date with changes to the Rules, the LMEsword Regulations and Operating Procedures and this Agreement.

2 Issue of Warrants

2.1 Metal delivery

2.1.1 When receiving metal for placing on Warrant, the Warehouse need not undertake an assay of the metal itself but must carefully undertake a visual inspection of the metal and all supporting documentation and, if the metal or the supporting documentation is in any way patently sub-standard or anomalous the Warehouse must not issue a Warrant until any such shortcoming has been remedied. Without limitation to the foregoing, metal will be deemed to be patently sub-standard if:

2.1.1.1 there is broken or visibly corroded strapping which could make the bundle of metal unsafe to handle;

2.1.1.2 there is visible contamination of metal;

2.1.1.3 there is inconsistent branding of metal (for instance, where all of the metal or some of the metal is patently not an LME brand or where different LME brands have been visibly mixed within a bundle); and

2.1.1.4 the supporting documentation and paperwork does not accord with the Rules.

For the avoidance of doubt, a Warehouse is not required to break bundles or inspect metal ingots hidden from view within bundles, unless there are visible signs indicating or suggesting a defect in quality within a bundle or the Warehouse is in any way aware that there is a defect within a bundle not apparent from a visual inspection.

2.1.2 All metal delivered for placing on Warrant must be weighed by Warehouse personnel on equipment which is regularly tested for accuracy in accordance with Clause 7.4.3, and must conform to the relevant weights for those metals as outlined in the Special Contract Rules for Metals.

2.1.3 Subject to Clauses 2.1.1 and 2.1.2, no Warrant may be issued if the metal or supporting documentation does not conform to the relevant Special Contract Rules for Metals.

2.1.4 A Warrant may only be issued by the Warehouse or its London Agent when the metal in question is stored in an Authorised Warehouse of the Warehouse.

2.2 Form of Warrant

- 2.2.1 From the date prescribed by the Exchange, all Warrants must be issued in accordance with the LMEsword Regulations.
- 2.2.2 The Warehouse shall ensure that the form of the Warrant is such that the requirements set out in the Special Contract Rules for Metals, this Clause 2.2 and Clause 2.3 are satisfied.
- 2.2.3 Each Warrant must have a clearly identifiable space for endorsements to allow for transfers of ownership to a named transferee and also have a clearly identifiable space for endorsement of rents paid to be marked on the Warrant.
- 2.2.4 Each Warrant must show the applicable rent rate and the date of commencement of the obligation to pay rent which must be the same as the date of issue of the Warrant.
- 2.2.5 Each Warrant must include a term stating that responsibility for insuring the metal subject to the Warrant is that of the holder of the Warrant.
- 2.2.6 Each Warrant should be numbered consecutively wherever practicable.
- 2.2.7 No Warrant may be issued by a Warehouse until the printed format which the Warehouse proposes to adopt has been delivered to and approved by the Exchange. Any proposed change to such format must similarly be approved by the Exchange prior to its use.
- 2.2.8 Each Warrant must be signed by an authorised signatory of the Warehouse or its London Agent.
- 2.2.9 Each Warrant shall state that the Warehouse's standard terms of business are available on request or are printed on the reverse side of the Warrant.

2.3 Legal status of Warrants

- 2.3.1 Each Warrant must be transferable by delivery or by delivery and endorsement by the transferor and without requiring registration, attornment or notice to the Warehouse. A transferee of a Warrant shall be treated by the Warehouse as having the benefit of the contract of storage of the metal to which the Warrant relates and shall be bound by the Warehouse's standard terms of business insofar as they do not conflict with the Rules, the LMEsword Regulations or the Operating Procedures.
- 2.3.2 Each Warrant must be a document of title (or local equivalent concept) that is:
 - (i) (where (ii) does not apply) established in accordance with the law of the country in which the Warehouse is situated, or in accordance with such other law recognised as applicable to the Warrant by such law; or
 - (ii) where the Exchange so specifies by written notice, is subject to and expressed on the face of the Warrant to be governed by, either:
 - (a) English law; or
 - (b) such other such other law as the Exchange may so specify.

- 2.3.3 It must be a term of issue of each Warrant that the metal which it represents shall only be delivered up to the holder by the Warehouse on the Warrant being presented to the Warehouse or its London Agent or, in the event of a Warrant being lost, stolen, damaged or destroyed, against the provision of an indemnity substantially in the form prescribed by the Exchange from time to time and attached as the Appendix to Schedule A.
- 2.3.4 Subject only to Clause 2.3.5, a Warrant must be unlimited as to duration and remain valid until presented for cancellation to the Warehouse or its London Agent or otherwise cancelled in accordance with this Agreement and the LMEsword Regulations.
- 2.3.5 A Warehouse may have a right of retention in respect of metal under Warrant for unpaid rent in respect of the metal and other charges owed by the current holder of the Warrant but not otherwise and, in particular, without limitation, no person may have any right of retention in respect of charges owed by any other person.
- 2.3.6 Nothing in Clause 2.3.5 shall require the Warehouse to oppose any legally enforceable court order in respect of metal which is binding on the Warehouse and which prevents it from delivering stored metal to the Warrant holder, provided that the Warehouse immediately notifies the Exchange of the existence of such a court order as soon as it becomes aware of the same.

2.4 Warehouse's liability to Warrant holders

The Warehouse is required to give undertakings to each Warrant holder from time to time in respect of the metal under relevant Warrant that:

- 2.4.1 the Warehouse has complied with all Relevant Law and Regulation (including Clause 2.1 of this Agreement) in receiving that metal and placing it on Warrant;
- 2.4.2 the Warehouse will comply with the requirements of this Agreement concerning the storage of metal; and
- 2.4.3 the Warehouse is not aware of any latent defects in the metal.

It is a requirement of this Agreement that the undertakings referred to in Clauses 2.4.1 to 2.4.3 above are incorporated without delay into the Warehouse's written contract of storage with each Warrant holder. Pending such incorporation, the relevant undertakings shall be deemed to be incorporated into each such contract of storage immediately upon such contract arising.

3 Replacement of Warrants

3.1 Entitlement to replace

A Warehouse shall issue a replacement Warrant in accordance with this Agreement and the LMEsword Regulations and Operating Procedures in the following circumstances:

- 3.1.1 where a Warrant has been lost, stolen, destroyed, or damaged, on completion of its normal procedures and against delivery to it of an indemnity in the form prescribed by the Exchange from time to time and attached as the Appendix to Schedule A;

- 3.1.2 where any details on a Warrant which are capable of amendment in accordance with the LMEsword Regulations and Operating Procedures (“Amendable Details”) require amendment, following the amendment of the electronic details of the Warrant in LMEsword in accordance with the LMEsword Regulations and against delivery to it of the original Warrant; and
- 3.1.3 where the space on a Warrant for endorsement of rent paid up and/or for transfers is full and against delivery to it of the original Warrant.

3.2 Entitlement to move metal

A Warehouse may move metal under Warrant between its own Authorised Warehouses within the same listed location at its own risk and expense subject to complying with Clause 3.3.

3.3 Notification of the Exchange

- 3.3.1 On the day that a Warehouse or its London Agent is notified or becomes aware of any circumstance which might reasonably cause suspicion that (a) a Warrant, or any underlying metal to which a Warrant relates, may have been lost, stolen, destroyed or damaged; or (b) the Amendable Details on a Warrant may require amendment; or (c) a Warrant may require cancellation in accordance with Clause 4.3, it shall forthwith:
 - (i) notify the Exchange by email (or by such other means as the Exchange may prescribe from time to time) to the Exchange’s Physical Operations Department; and
 - (ii) promptly investigate the circumstance.
- 3.3.2 The Warehouse will regularly update the Exchange on the investigation and report all findings to the Exchange.
- 3.3.3 On the day that a Warehouse or its London Agent is notified or becomes aware that (a) a Warrant, or any underlying metal to which a Warrant relates, has been lost, stolen, destroyed or damaged; or (b) the Amendable Details on a Warrant require amendment; or (c) a Warrant requires cancellation in accordance with Clause 4.3, it shall forthwith notify the Exchange by email (or by such other means as the Exchange may prescribe from time to time) to the Exchange’s Physical Operations Department containing full details thereof, including the following:
 - 3.3.3.1 the date and details of loss or damage to or other matter affecting the metal or Warrant;
 - 3.3.3.2 the Warrant number(s);
 - 3.3.3.3 date of the Warrant;
 - 3.3.3.4 brand and shape of metal; and
 - 3.3.3.5 the quantity of metal (if any) missing, damaged, or otherwise affected.
- 3.3.4 The Warehouse shall keep the Exchange updated at all times and in addition take all such other steps, such as (without limitation) immediately notifying and cooperating with police authorities and insurers, as is necessary to protect the

owner of the metal in question and assist with the orderly operation of the market.

- 3.3.5 Where a Warrant that requires replacement or cancellation is not lodged with the Depository, the Warehouse shall take all reasonable steps to identify the holder of the Warrant and notify it of the event and require that the Warrant be delivered up for replacement.

3.4 Liability for replacement Warrants

- 3.4.1 Where a Warrant is being replaced due to a change to its Amendable Details, the Warehouse shall indemnify the person surrendering the Warrant in respect of any reasonable loss or damage they may suffer as a result of the Warehouse not properly cancelling and retaining the original Warrant in accordance with this Agreement.
- 3.4.2 The Warehouse shall be responsible for the cost of replacing Warrants other than in the case of Warrants which have been lost, stolen, destroyed or damaged where such costs shall be the responsibility of the holder.
- 3.4.3 The Warehouse shall take all reasonable steps to ensure that no duplicate Warrants issued by it are in circulation and, in particular, shall make a notification to the Exchange pursuant to Clause 3.3.1 above.

4 Cancellation of Warrants

4.1 Process on replacement

- 4.1.1 Where a Warrant is delivered to a Warehouse for replacement, the original Warrant must first be made properly null and void by being stamped "cancelled and replaced".
- 4.1.2 If the original of the Warrant has been lost, stolen or destroyed, a copy of the original must be duly marked and retained in lieu of the original.

4.2 Process on cancellation and metal take-up

Where a Warrant is delivered to a Warehouse for cancellation and metal take-up, the original must be made properly null and void by being stamped "cancelled". The Warehouse is required to expedite load-out from warehouses at the minimum rates published from time to time by the Exchange in accordance with Clause 9.11.1. For the avoidance of doubt, any change to the minimum rates would constitute a material increase in the obligations of a Warehouse which would require consultation and notification in accordance with Clause 9.11.4. The Warehouse shall prioritise all requests for cancellation strictly in the order in which they are received unless the Warrant holders seeking cancellation agree otherwise. The Warehouse shall use all reasonable endeavours to allocate to each Warrant holder seeking cancellation the delivery time that he has requested, unless that requested delivery time has already been allocated to another Warrant holder, in which case the Warehouse shall offer one or more alternative delivery times as close to the time originally requested as possible and where reasonably possible shall allocate the delivery time which is acceptable to the Warrant holder. The Warehouse must prepare and maintain such documentation as is sufficient to evidence compliance with the aforesaid requirement (e.g. a schedule detailing (at least) the dates and times of receipt of cancellation requests and the allocated dates

and times of delivery) and shall provide a copy of the same to the Exchange if so requested. The Warehouse will, at all times, be responsible for ensuring that deliveries of metal are effected in accordance with the above requirements except where the Warrant holder taking delivery of metal provides its own transport and fails, due to no fault of the Warehouse, to keep to the agreed delivery schedule, in which case the Warehouse and that Warrant holder shall agree between them an alternative time for delivery.

4.3 Warrants requiring cancellation

Where a Warehouse or its London Agent is notified or becomes aware that any details on a Warrant which are not Amendable Details are incorrect, it shall:

- 4.3.1 notify the Exchange thereof in accordance with Clause 3.3;
- 4.3.2 take all reasonable steps to identify the holder of the Warrant and notify it of the event and require the Warrant to be delivered up for cancellation; and
- 4.3.3 on its being delivered to the Warehouse or London Agent, cancel the Warrant in accordance with the LMEsword Regulations and Operating Procedures and issue a new Warrant in respect of the relevant metal.

4.4 Storage

All cancelled Warrants (and a copy of the original in the event that it has been lost, stolen or destroyed) must be securely retained and be made available for inspection by the Exchange for five years or (if later) until any replacement Warrant is surrendered for cancellation and metal take-up.

5 Rent and Free On Truck ("FOT") charges

5.1 Calculation

- 5.1.1 Calculations of rent due on Warrants must be on round tonnages and not actual weights.
- 5.1.2 Rent on metal under Warrant must accrue on a daily basis and rent accrued must be payable annually as at 31 March each year, or at such other times and for such other periods as the Exchange may prescribe, or upon cancellation of a Warrant whichever is the sooner.

5.2 Warehouse Maximum Charge Levels

- 5.2.1 The Warehouse shall be required to set maximum rent and FOT charges (the "**Warehouse Maximum Charge Levels**"), specifying the highest rates which may be levied, in accordance with the requirements of this Clause 5.
- 5.2.2 Warehouses may set separate Warehouse Maximum Charge Levels in respect of each Delivery Point in which the Warehouse operates licensed facilities, and in each such Delivery Point, (i) in respect of rent, a rate for each metal which the Warehouse is licensed to store in that Delivery Point, and (ii) in respect of FOT, (a) a rate for cobalt (if the Warehouse is licensed to store cobalt in that Delivery Point), (b) a rate for roasted molybdenum concentrate (if the Warehouse is licensed to store roasted molybdenum concentrate in that Delivery Point), (c) a rate for premium primary aluminium (if the Warehouse is

licensed to store premium primary aluminium in that Delivery Point) , and (d) a single rate for all other metals (if the Warehouse is licensed to store metals other than cobalt, roasted molybdenum concentrate and premium primary aluminium in that Delivery Point).

5.2.3 Rent must be quoted in the Major Currency of the Contract to which the Warrant relates is traded. FOT must be quoted in the currency of the listed location, except for FOTs in respect of aluminium premium Contracts, which must be quoted in the Major Currency of the relevant Contract.

5.2.4 FOT may be paid in any currency that the Warehouse and the Warrant holder agree, provided that:

- (i) both parties agree to both the currency of payment and the rate of conversion between the currency of the listed location (or, in the case of aluminium premium Contracts, the Major Currency of the Contract) and the currency of payment; and
- (ii) in the event that the parties cannot agree, FOT shall be paid in the currency of the listed location (or, in the case of aluminium premium Contracts, the Major Currency of the Contract).

5.3 Publication of Charge Caps

5.3.1 With the exception of 2016 (which is covered by Clause 5.3.2 below), the LME shall, by 31 October each year, in respect of the period from 1 April of the following year to 31 March of the next following year, publish a list of maximum permissible Warehouse Maximum Charge Levels ("**Charge Caps**"), in respect of each combination of (i) each Delivery Point Country, and (ii) each metal which is the subject of a physically-settled Contract (with the exception of aluminium premium Contracts) and licensed for storage by at least one Warehouse in that Delivery Point Country. For the avoidance of doubt, the relevant Charge Cap shall apply to all Delivery Points in a Delivery Point Country.

5.3.2 In respect of 2016, the LME shall publish the Charge Caps on 28 December 2016. The Charge Caps for the period 1 April 2017 to 31 March 2018 shall be calculated as the arithmetic mean average of (i) the highest Warehouse Maximum Charge Levels published by the LME in December 2014 for the period 1 April 2015 to 31 March 2016 and (ii) the highest Warehouse Maximum Charge Levels published by the LME in February 2016 for the period 1 April 2016 to 31 March 2017, in each case in respect of that Delivery Point Country and that metal (and rounded up to the nearest smallest unit of the local currency, in the case of FOT, or the nearest US cent, in the case of rent).

5.3.3 Subject to Clause 5.3.6, the Charge Caps for the periods (i) 1 April 2018 to 31 March 2019, (ii) 1 April 2019 to 31 March 2020, (iii) 1 April 2020 to 31 March 2021, (iv) 1 April 2021 to 31 March 2022, (v) 1 April 2022 to 31 March 2023, (vi) 1 April 2023 to 31 March 2024, (vii) 1 April 2024 to 31 March 2025, (viii) 1 April 2025 to 31 March 2026, and (ix) 1 April 2026 to 31 March 2027 shall be the same as the Charge Caps for the period 1 April 2017 to 31 March 2018.

- 5.3.4** In respect of each subsequent period 1 April to 31 March, the Charge Caps shall either be kept the same, or increase, in accordance with the formula set out in Appendix A. In the event that the relevant index (or certain data points within the index) as specified in Appendix A is unavailable, the LME shall determine an appropriate comparable index (or data points), subject to the Warehouse's right of challenge as set out in Clause 5.3.6 below.
- 5.3.5** Where (i) the LME approves a new Delivery Point which is located in a new Delivery Point Country, or (ii) a Warehouse becomes authorised to store in a Delivery Point Country a metal for which Charge Caps have not previously been calculated, the LME shall, prior to or at the same time as admission of the new Delivery Point or storage authorisation of the Warehouse, publish Charge Caps for such Delivery Point Country in respect of the set of metals authorised for storage at one or more warehouses in that Delivery Point Country and in respect of which Charge Caps have not previously been published. In determining the relevant Charge Caps, the LME shall take into account all relevant factors, including the Charge Caps for geographically proximate countries, any factors relevant to the particular Delivery Point Country, and its expert judgment.
- 5.3.6** In respect of Charge Caps published from 2017 onwards, a Warehouse may challenge any Charge Cap on the basis that it does not adequately take into consideration any relevant increase in the Warehouse's costs, or on the basis of any other reason. Any Warehouse wishing to challenge any Charge Cap may submit such a challenge in writing to the LME, including full reasons for such challenge together with any relevant supporting documentation, within fourteen calendar days of the publication of the relevant Charge Cap. The challenge will be considered by the Special Committee of the LME. The LME shall have the opportunity to make written representations or provide supporting evidence to the Special Committee where the LME considers it appropriate to do so. The Special Committee may request such additional documentation or explanation from the Warehouse, or any other Warehouse, or the LME, as it considers appropriate, in considering the challenge. Having considered the challenge, the Special Committee may either (i) reject the challenge, or (ii) accept the challenge and require the LME to increase the relevant Charge Cap by such amount as it considers appropriate. Where the Special Committee accepts the challenge, it shall publish a notice to the market explaining the nature of the challenge and the reasons for accepting it. The amended Charge Cap(s) shall take effect on the following 1 April and shall be taken into account when calculating any increases to Charge Caps in future years in accordance with Clause 5.3.4 and Appendix A. Where the Special Committee rejects the challenge, it may, where it considers it appropriate, publish a notice to the market explaining the nature of the challenge and the reasons for rejecting it (and, in the event that it does not publish such a notice, it shall still provide the Warehouse which brought the challenge with the reasons for rejecting it). The Special Committee shall endeavour to publish any notice to the market within fourteen calendar days of the challenge being brought, or such other date as it shall in its sole discretion consider appropriate.

- 5.3.7 While the LME endeavours to ensure the accuracy, reliability and completeness of the Charge Caps and any information (including third party information) with reference to which the Charge Caps are compiled (the “**Charge Cap Information**”), neither the LME nor any of its affiliates makes any warranty or representation, express or implied, or accepts any responsibility or liability for, the accuracy, completeness or reliability of the Charge Cap Information. The LME accepts no liability whatsoever to any Warehouse or other person for any loss or damage arising from any inaccuracy or omission in the Charge Cap Information.

5.4 Process for advising Warehouse Maximum Charge Levels

- 5.4.1 On 29 December 2016, each Warehouse must set its Warehouse Maximum Charge Levels in respect of the 12 month period commencing 1 April 2017. For the avoidance of doubt, if a Warehouse has already submitted Warehouse Maximum Charge Levels in respect of the 12 month period commencing 1 April 2017 pursuant to any requirement in a previous version of this Agreement, such charges must be resubmitted if they do not comply with clause 5.4.3.
- 5.4.2 From 15 December 2017, each Warehouse must set its Warehouse Maximum Charge Levels annually in respect of each 12 month period commencing 1 April of the following year by notification to the Exchange not later than 15 December in the preceding year.
- 5.4.3 No Warehouse Maximum Charge Level submitted pursuant to clause 5.4.1 or 5.4.2 may be higher than the corresponding Charge Cap. In the event that a Warehouse submits a Warehouse Maximum Charge Level in excess of the corresponding Charge Cap, the LME may revise the Warehouse Maximum Charge Level down to the corresponding Charge Cap (for the avoidance of doubt, such submission may also constitute a breach of this Agreement which may be subject to disciplinary action pursuant to the Disciplinary Procedures). For Warehouse Maximum Charge Levels not subject to a Charge Cap, levels may be set in the discretion of the Warehouse.
- 5.4.4 The Exchange shall publish each Warehouse’s Warehouse Maximum Charge Levels by 31 December. For the avoidance of doubt, no change in Maximum Charge Levels shall become effective until the following 1 April.

5.5 Dates

The Exchange may, by giving notice in writing to each Warehouse, amend any of the dates set out in clauses 5.3.1, 5.3.2 or 5.4 for any given relevant year in the event of a challenge to the Charge Caps pursuant to clause 5.3.6 or for any other reason.

5.6 Payment

Rent must be paid for metal under Warrant in stock at 31 March (or such other dates as the Exchange may prescribe) in each year by direct settlement between holders of Warrants and Warehouses.

5.7 LMEsword

Warehouses' other obligations in relation to rent shall be as set out in the LMEsword Regulations and the Operating Procedures.

6 Records

6.1 Storage records for metal under Warrant

- 6.1.1 Warehouses must have clearly organised systems for recording storage of metal under Warrant for use in their office and in each Authorised Warehouse.
- 6.1.2 Storage records must have a separate entry record for each lot and each such record must be numbered consecutively.
- 6.1.3 Storage records in respect of metal under Warrant must clearly identify the fact that the metal is under Warrant, include the Warrant number and note the Authorised Warehouse in which the metal is stored.
- 6.1.4 Metal under Warrant must be identifiable in an Authorised Warehouse by means of a label, or other marking method, as to lot or Warrant number.

6.2 Warrant records

- 6.2.1 The Warehouse must maintain a Warrant register which shows the dates of issue and cancellation of each Warrant, any corresponding lot numbers and the details of the metal as shown on the Warrant. Each entry on the Warrant register must be initialled by an authorised person or, in the case of a register maintained on a computer, have noted next to each entry the initials or other identity of an authorised person.
- 6.2.2 To the extent that any Warehouse has pre-printed warrants in blank, these must be kept secure. The Warehouse must ensure that it, or its London Agent, maintains a written record of the number of unused blank Warrants at any given time and will provide a copy of that record to the Exchange on request.
- 6.2.3 A copy of each Warrant issued by or for the Warehouse must be kept secure.

6.3 Stock records

6.3.1 Agreements Governing Metal Stocks

6.3.1.1 LME Facility Storage Agreement

- (i) For the purposes of this Agreement, an “**LME Facility Storage Agreement**” shall mean an agreement between the Warehouse and a metal owner for the storage of metal (not being under Warrant and not being Cancelled Tonnage) which stipulates that the metal must be stored in an LME-registered shed.
- (ii) Metal held an LME Facility Storage Agreement may include metal which would not be eligible to be put on Warrant, but where the metal owner wishes the metal to be stored in an LME-registered facility.

6.3.1.2 LME Warranting Agreement

- (i) For the purposes of this Agreement, an “**LME Warranting Agreement**” shall mean an agreement between the Warehouse and a metal owner for the storage of metal (not being under Warrant and not being

Cancelled Tonnage) which contemplates that the metal may, at the request of the metal owner, be placed onto Warrant.

- (ii) Metal subject to an LME Warranting Agreement need not be held in an LME-registered shed, in which case the LME Warranting Agreement may envisage that the metal will be moved to or from an LME-registered shed.
- (iii) LME Warranting Agreements may include written agreements, oral agreements, and implied agreements where the business relationship between the metal owner and Warehouse gives rise to a reasonable expectation on the part of the metal owner that metal may be placed on Warrant (including circumstances where the metal owner can compel such an outcome pursuant to the full or partial control of the Warehouse).

6.3.1.3 LME Voluntary Reporting Agreement

- (i) For the purposes of this Agreement, an “**LME Voluntary Reporting Agreement**” shall mean an agreement between the Warehouse and a metal owner for the storage of metal (not being under Warrant and not being Cancelled Tonnage) under which the metal owner has requested that the Warehouse report the tonnages of such stored metal to the Exchange.
- (ii) The parties acknowledge that the Exchange may:
 - (a) make rules which impose more onerous conditions on metal owners who wish to place metal on Warrant, and who do not enter into an LME Voluntary Reporting Agreement in respect of such metal at the earliest possible opportunity;
 - (b) impose differential charges on metal owners for the lodging of Warrants, dependent on whether or not the metal owner entered into an LME Voluntary Reporting Agreement at the earliest possible opportunity.
- (iii) Without prejudice to the above, the decision as to whether voluntarily to report shall be solely for the metal owner, and the Warehouse shall not be penalised by the Exchange for any failure by its client to enter into an LME Voluntary Reporting Agreement.

6.3.1.4 LME Off-Warrant Storage Agreement

For the purposes of this Agreement an “**LME Off-Warrant Storage Agreement**” shall mean (i) an LME Facility Storage Agreement; or (ii) an LME Warranting Agreement; or (iii) an LME Voluntary Reporting Agreement.

Reporting of Stock under Warrant

- 6.3.2** The stock of metal under Warrant of the Warehouse, together with Cancelled Tonnage, must be reported to the Exchange, as prescribed in the LMEs word Regulations and Operating Procedures.

Confidentiality of Stock and Queue Information

- 6.3.3** Information concerning stocks and Queues at Warehouses shall be treated as confidential by the Exchange save that the Exchange may publish such information concerning LME stocks and Queues at Warehouses as it considers necessary, acting reasonably, for the purposes of market transparency. In addition the Exchange may publish such information for regulatory purposes and may make such disclosure as is required by Relevant Law and Regulation or that is requested by any regulatory authority or other person to whom the Exchange is required to disclose it by Relevant Law or Regulation. In addition, the Exchange may publish such information together with that of other Warehouses without identifying the Warehouse by name and also make reference to such information, identifying the Warehouse, in any notice of a decision given under the Disciplinary Procedures in the event of a breach of this Agreement. Warehouses are prohibited from (i) disclosing information concerning Queues at such Warehouses or (ii) revealing their stock of metal under Warrant to any person, except that this prohibition shall not apply to:
- 6.3.3.1** information supplied to the Warehouse's London Agent where the disclosure is reasonable and necessary to enable the recipient to perform the proper functions of his employment, profession or duties;
 - 6.3.3.2** information disclosed pursuant to any Relevant Law and Regulation;
 - 6.3.3.3** information disclosed to the Warehouse's professional advisers and to its usual bankers where the disclosure is reasonable and necessary to enable the recipient to perform the proper functions of his employment, profession or duties;
 - 6.3.3.4** historical information on aggregate stocks held by the Warehouse without differentiation between stocks held under Warrants and other stocks which is required to be disclosed to the shareholders of the Warehouse;
 - 6.3.3.5** historical information on aggregate stocks held by the Warehouse without differentiation between stocks held under Warrants and other stocks which is required to be disclosed to a parent company of the Warehouse for the purpose of that parent company preparing its budgets and financial forecasts for the Group; or
 - 6.3.3.6** information which has already been published by the LME pursuant to clause 6.3.3; or
 - 6.3.3.7** information about the length of Queues where such information is provided to a metal owner that: (i) is contemplating or effecting the scheduling of load-out of metal at the Warehouse; and (ii) requires information regarding the waiting time for such scheduling, provided that the Warehouse: (A) may only disclose information pursuant to this clause 6.3.3.7 to the extent that such information relates to Queues

arising from actual Cancelled Tonnage; and (B) shall not include in such disclosure the Warehouse's expectation regarding the cancellation or load-out request actions of any person other than the metal owner that requires such information in accordance with (i) and (ii) above.

Reporting of off-Warrant Stock

6.3.4 No later than the tenth calendar day of the each calendar month, the Warehouse shall report to the Exchange the quantity of metal held by the Warehouse on the final day of the preceding calendar month that is not on Warrant (either live or cancelled) and which, at any point during that preceding month, was subject to an LME Off-Warrant Storage Agreement. The following provisions shall apply in respect of such reports.

- (i) The Warehouse does not need to have established the eligibility or suitability of the metal to be put on Warrant.
- (ii) The Warehouse should rely on the metal owner's characterisation of the metal, subject that the Warehouse should make a visual inspection of the metal and report to the Exchange any reasonable suspicion as to disparity between metal owner's characterisation of the metal and the metal inspected by the Warehouse.
- (iii) The Warehouse shall submit a matrix report (using such template form as the LME may prescribe from time to time), showing quantity of metal (to the nearest metric tonne) subject to Off-Warrant Storage Agreement(s) split by:
 - (a) any LME Good Delivery Location where the relevant off-warrant metal is currently located (rather than the location where it may ultimately be warranted pursuant to an LME Warranting Agreement), save that metal stored outside an LME Good Delivery Location shall be reported under the category "non-GDL" where such metal is:
 - (I) subject to an LME Voluntary Reporting Agreement, and/or an LME Warranting Agreement which envisages transportation of such metal to an LME-registered shed prior to warranting; and
 - (II) held in an area or location situated more than a 10 mile radius from any of the Warehouse's listed facilities,and where metal held within a 10 mile radius of a listed facility shall be reported under the LME Good Delivery Location where the listed facility is located; and
 - (b) type of metal, divided by the Contract against which, if warranted, the metal would be deliverable, subject that metal stored under an LME Facility Storage Agreement or LME Voluntary Reporting Agreement which is not believed to be warrantable, shall be reported under the category "Other"; and

- (c) type of LME Off-Warrant Storage Agreement (being metal subject to LME Facility Storage Agreements, metal subject to LME Warranting Agreements, and metal subject to LME Voluntary Reporting Agreements).
- (iv) Metal stored by a third party should be included in the reported figures (attributable to metal subject to an LME Warranting Agreement) where the Warehouse has entered into an LME Warranting Agreement where such agreement envisages that the metal may be moved from the third party's facilities to the Warehouse's facilities and placed on Warrant.
- (v) For the avoidance of doubt, there shall be no requirement for the Warehouse to provide details of metal owners, or of the economic terms on which metal is stored off-warrant.
- (vi) In respect of reporting under Clause 6.3.4:
 - (a) the Exchange shall treat the figures reported by Warehouses as confidential;
 - (b) notwithstanding (a) above:
 - (I) the Exchange but may use the reported figures for reasonable internal purposes (including assessing market orderliness);
 - (II) the Exchange may publish (on a free or charged-for basis) summary statistics of off-warrant metal reported pursuant to Clause 6.3.4, in such format as the Exchange shall notify to the market by written notice from time to time (subject that such statistics may not be disaggregated by Warehouse, but may be disaggregated by LME Good Delivery Location, metal type, or both);
 - (III) provided that publication is consistent with the (II) above, the Exchange shall not be prohibited from publishing disaggregated information which could be used to identify data specific to the Warehouse (such as, without limitation, where the Warehouse is the only operator in a given LME Good Delivery Location); and
 - (c) notwithstanding (a) above, the Exchange may disclose the reported figures (or any information relating to such figures):
 - (I) where the Exchange is required to do so pursuant to any Relevant Law and Regulation;
 - (II) to the Exchange's professional advisers and to its usual bankers where the disclosure is reasonable and necessary to enable the recipient to perform the proper functions of his employment, profession or duties; or
 - (III) where such information is already in the public domain.

Additional Daily Stock Reporting

6.3.5 The Warehouse:

- (i) acknowledges that the Exchange may, following the date of this Agreement, by written notice specify changes to the classification of metals for the purpose of the daily reporting of stocks of metal in accordance with this clause 6.3, in order that:
 - (a) the "cancelled" classification shall refer only to metal that was cancelled but not scheduled for load-out;
 - (b) a new "scheduled" classification shall refer to metal that has been cancelled and is scheduled (or in the process of being scheduled) for load-out; and
- (ii) agrees that it shall implement such operational requirements to effect such changes, and shall, on an on-going basis, apply such classification requirements for the purposes of reporting stock to the Exchange, in each case in the manner specified in such written notice, from the time specified in such written notice.

6.4 Duty and Tax Records

- 6.4.1 The Warehouse must maintain records on the duty and tax status of each lot of metal.
- 6.4.2 The Warehouse shall make the records specified in Clause 6.4.1, or information derived from such records, available on request and at no cost to Warrant holders and the Exchange.

7 Continuing Obligations

7.1 Insurance

- 7.1.1 The Warehouse must maintain insurance in respect of all the types of risks marked with an asterisk in paragraph 9 of Schedule A at least at the levels from time to time prescribed by the Exchange. Such insurance must be maintained at all times until the Warehouse is no longer listed.
- 7.1.2 The Warehouse shall procure that the Exchange receives annually at renewal and/or at such other time as requested by the Exchange a certificate (or such other document as the Exchange may from time to time prescribe) evidencing that all the risks marked with an asterisk in paragraph 9 of Schedule A are protected and citing the maximum limit of cover per occurrence and the policy number. Any changes affecting the insurance cover are to be automatically notified to the Exchange by the insurance company. The Warehouse must ensure that its policy shows the Exchange as a notifiable party for amendments and renewal confirmations.

7.2 Security

- 7.2.1 The Warehouse must at least maintain the level of security measures referred to in its response(s) to Schedule B, Section (C) (as the same may be amended in writing between the Warehouse and the Exchange from time to time) at all its Authorised Warehouses and must keep them clean, dry (except outside storage areas as permitted by the LME), free from contaminants and in good

repair. The Exchange may in its discretion reasonably require enhancements to the security measures maintained by the Warehouse as referred to in its response(s) to Schedule B, Section (C). Without prejudice to the requirements of Clause 7.3, in the event of any material change in the details relating to its Authorised Warehouses as set out in its response(s) to Schedule B, Section (C), or in the event that the Warehouse otherwise fails to comply with this Clause 7.2.1, the Warehouse must notify the Exchange of such change or failure within 5 Business Days of becoming aware of the same. In the event of any material change in the details relating to the Warehouse's Authorised Warehouses which could in the Exchange's reasonable view result in a degradation in the level of security as set out in the Warehouse's response(s) to Schedule B, Section (C), or in the event that the Warehouse otherwise fails to comply with this Clause 7.2.1, the Exchange may, at its sole discretion, direct that any metal stored under Warrant in the Authorised Warehouse in question be relocated to another Authorised Warehouse, whether or not with the same Warehouse.

7.2.2 Any costs arising from such relocation, including costs relating to re-inspection and re-approval, shall be met by the Warehouse.

7.2.3 The power of the Exchange under this Clause is without prejudice to its other powers under this Agreement, including the powers set out under the Disciplinary Procedures.

7.3 Monitoring and supply of information

7.3.1 The Warehouse must notify the Exchange of any facts, events or changes which are material to its listing as a Warehouse within 5 Business Days of becoming aware of the fact, event or change in question. This shall include, without limitation:

7.3.1.1 any changes that materially affect the information given by the Warehouse in connection with its application for listing as a Warehouse, or such other material information as it may have given to the Exchange in writing from time to time;

7.3.1.2 any changes affecting the Warehouse's ability to comply with its obligations hereunder or under the LMEsword Regulations.

7.3.2 The Warehouse shall not make any changes, or allow any changes which are within its power to prevent being made, to any of its Authorised Warehouses where such changes would involve a material change to any of the details provided in the answers given in Schedule B, without obtaining the Exchange's prior written approval in accordance with procedures published by the Exchange from time to time. In the event that the Warehouse becomes aware of such a change which is beyond its power to prevent, it must nonetheless notify the Exchange of such change immediately. The Exchange may, if it deems that the change materially affects the ability of the Authorised Warehouse(s) to operate, exercise its powers under this Agreement, including those contained in Clause 9.2.

7.3.3 The Warehouse shall provide to the Exchange on request such information from its storage records, Warrant records and/or stock records relating to the

types of metals deliverable on the Exchange, as the Exchange may reasonably request from time to time in connection with any enquiries being made or to be made by the Exchange in accordance with the Rules or this Agreement. All such information so supplied shall be treated as confidential by the Exchange and shall be restricted to those authorised staff and officers within the Exchange responsible for conducting such enquiries in accordance with the Rules, the Exchange's professional advisors, regulatory authorities and other persons to whom the Exchange is required to disclose it by Relevant Law and Regulation. The Exchange shall not be entitled to have access to legally privileged documents. A list of those persons within the Exchange who are authorised to obtain information from Warehouses in accordance with this Clause 7.3.3 will be circulated to all Warehouses and will be updated from time to time. The Exchange may request information about metal held off-Warrant at the Warehouse only in connection with an investigation pursuant to the Disciplinary Procedures.

- 7.3.4 The Warehouse shall permit Exchange staff to conduct routine and other inspections of its premises used for the storage of LME metal, including access to each relevant Authorised Warehouse and its offices supporting the operating of such warehouses. Warehouses shall use reasonable endeavours to procure similar access to the offices of their London Agents supporting those operations. The Warehouse shall co-operate with the Exchange in the conduct of such inspections and give all reasonable assistance to the Exchange.
- 7.3.5 The Exchange shall give reasonable notice of its intention to make inspections, except that no such notice will be required to be given where the Exchange deems it necessary or desirable in its absolute discretion for an immediate inspection to be undertaken by the Exchange or its appointed representatives.
- 7.3.6 The Warehouse shall provide the Exchange with details of its officers and employees authorised to act as its authorised signatories for the purposes of this Agreement and keep such details up to date at all times, notifying the LME of any changes thereto promptly.

7.4 Periodical inspections

- 7.4.1 From time to time, and at least every 12 months, the Warehouse must:
 - 7.4.1.1 carry out a visual inspection of all metal under Warrant in its Authorised Warehouses and of all supporting documentation;
 - 7.4.1.2 at its own cost, appoint an independent third party auditor to perform a count of all the stock which is under Warrant in its Authorised Warehouse(s) which shall include metal taken off Warrant, but which is still on the Warehouse's premises awaiting load-out;
 - 7.4.1.3 make a notification to the Exchange without delay following the end of each calendar year (and by not later than 1 March), such notification to contain a record of all such inspections which have been carried out throughout the previous year, and a copy of the report produced by the independent third party auditor pursuant to Clause 7.4.1.2; and

7.4.1.4 seek the approval of the Exchange in the selection of the independent third party auditor referred to in Clause 7.4.1.2 and provide to the Exchange such information concerning its preferred auditor as the Exchange may reasonably request.

7.4.2 Full records of such inspections must be kept, showing at least:

7.4.2.1 the details of all issued Warrants at the time of the inspection;

7.4.2.2 the date of the inspection; and

7.4.2.3 the name and job title of the person undertaking the inspection, who must also acknowledge that he has carried out the inspection and be of suitable seniority.

Without prejudice to the annual notification requirement in Clause 7.4.1, copies of such records will be made available to the Exchange at any time on request.

7.4.3 All weighing equipment used for weighing metal under Warrant must be checked for accuracy at least quarterly by an accredited and responsible institution which is not affiliated to the Warehouse and any material inaccuracies detected by such institution must be rectified by the Warehouse immediately. Written evidence of such inspections must be retained and made available to the Exchange on request.

7.5 Compliance with law and regulation

7.5.1 The Warehouse shall at all times comply with all applicable law, including Relevant Law and Regulation, sanctions, local port conditions, local and national customs, local anti-corruption laws, prohibitions on Market Abuse, taxation law and other rules and regulations (where the aforesaid are not in conflict with the requirements of either this Agreement or of the LMEsword Regulations or of the Operating Procedures).

7.5.2 The Warehouse shall immediately notify the Exchange if it becomes aware that such law, customs or regulations conflict, or are likely to conflict, with the requirements of this Agreement, the LMEsword Regulations or the Operating Procedures. In the event of any such conflict, the Exchange shall, without prejudice to its rights under this Agreement, assess whether, in its reasonable opinion, such conflict in fact exists and, if so, whether it is reconcilable and shall determine in its absolute discretion what action (if any) to take. Where the Exchange is of the view that failure immediately to resolve the conflict will not materially prejudice the Warehouse's ability to comply with the requirements of this Agreement, the LMEsword Regulations or the Operating Procedures, it shall consult with the Warehouse as to the remedial action to be taken. In the event of a conflict between this Agreement and the LMEsword Regulations or Operating Procedures or any notice issued by the Exchange, the terms of this Agreement shall prevail.

7.5.3 The Warehouse will not, and nor will any of its officers, employees, shareholders, representatives or agents, directly or indirectly, either in private business dealings or in dealings with the public sector, offer, give or agree to offer or give (either itself or in agreement with others) any payment, gift or other

advantage with respect to any matters which are the subject of this Agreement which (i) would violate any anti-corruption laws or regulations applicable to the Warehouse, (ii) is intended to, or does, influence or reward a person and acting in breach of an expectation of good faith, upholding or trust, or which it would otherwise be improper for the recipient to accept, or (iii) is made to a Public Official with the intention of influencing them and obtaining or retaining an exchange with conduct of terms ("**Corrupt Act**").

7.5.4 The Warehouse represents and warrants that it has not, and so far as it is aware its directors and officers have not:

- (i) engaged in, admitted to, or been found by a court in any jurisdiction to have engaged in any Corrupt Act; or
- (ii) been investigated by a regulatory or law enforcement agency in any jurisdiction as a suspect in connection with an investigation into the commission of any Corrupt Act.

7.5.5 The Warehouse further agrees and undertakes:

- (i) to properly and accurately record in its books and records all transactions which relate in any way to this Agreement; and
- (ii) to provide any such information as the Exchange may reasonably require by notice in writing in order to monitor the Warehouse's compliance with its obligations under Clauses 7.5.1 and 7.5.3 and 7.5.4; and
- (iii) to notify the Exchange immediately if, at any time, it becomes aware that any of the representations set out at under Clause 7.5.4 are no longer correct.

7.6 Principles of Conduct

The Warehouse shall adhere to the Principles of Conduct set out at Clause 11.

8 Enforcement and Discipline

8.1.1 The Exchange may investigate any breach of this Agreement and take disciplinary action. The terms of the LME's Enforcement and Disciplinary Procedures applicable to all LME Warehouses, as amended by the Exchange from time to time and issued to Warehouses (the "Disciplinary Procedures") shall be deemed to be incorporated into this Agreement as if set out in full herein.

9 General

9.1 Fees

9.1.1 The Warehouse shall pay the Exchange the fees and levies prescribed by the Exchange from time to time. The Exchange shall provide all Warehouses with reasonable notice of changes in its prescribed fees and levies.

9.1.2 The Warehouse shall be responsible for the cost of inspections undertaken by the Exchange in accordance with the terms of this Agreement except where the inspection is specific to a single Warehouse and is initiated by the Exchange in

which case the Exchange shall be responsible for the cost thereof (but without prejudice to the power of the Exchange to recover any such costs from the Warehouse pursuant to a sanction imposed under the Disciplinary Procedures).

- 9.1.3 The Warehouse shall pay the fees prescribed by the LMEsword Regulations and Operating Procedures.
- 9.1.4 The Exchange shall consult with Warehouses if any proposed changes in its prescribed fees and levies or in the fees prescribed by the LMEsword Regulations and Operating Procedures would result in a material increase in such fees and/or levies. For these purposes, a “material increase” shall be any increase in the previously prescribed fee or levy of more than the greater of (a) 10 per cent or (b) the percentage figure equal to the aggregate of (i) the percentage increase in the retail prices index (“RPI”) as published by the Office for National Statistics calculated by comparing the level of RPI (all items) for the month in which the previously prescribed fee or levy was fixed and comparing it to the level of RPI (all items) for the month in which the Exchange gives notice of its proposed increase and (ii) 5 per cent.

9.2 Withdrawal of right to store particular metal

Without prejudice to the other powers of the Exchange, the Directors may require the Warehouse to cease to store any one or more particular metals by giving the Warehouse 90 days’ prior notice, or such shorter period as the Directors may consider in their sole discretion justified in the circumstances.

9.3 Proper functioning of the market

- 9.3.1 Warehouses play an important role in the markets in which the Exchange operates by ensuring, amongst other things, that Contracts are sufficiently anchored to the price of the underlying metal and that settlements are orderly. Warehouses must not prevent the proper functioning of the market, including by doing anything which may directly or indirectly constrain the liquidity and elasticity of stocks of metal under Warrant. In consequence, Warehouses must not, without limitation, (i) give Inducements that in the ordinary course may reasonably be considered to be exceptional, (ii) impose charges for depositing or withdrawing metals that in the ordinary course may reasonably be considered to be unreasonable, or (iii) delay unreasonably the receipt or despatch of metal, (save where unavoidable due to Force Majeure), where such behaviour may have, directly or indirectly, a manipulative, distortive or disorderly effect on the market. In the event that the Exchange considers that the conduct of the Warehouse indicates circumstances which may constitute Market Abuse, it is required to report this to the Financial Conduct Authority.
- 9.3.2 All Warehouses must periodically supply to the Exchange information relating to all Inducements paid to, or received from, third parties, and charges levied, for example, those for loading and unloading metal for Warrant purposes; in the form, and at the times, specified by the Exchange and set out on the Exchange's website from time to time. Further, the Warehouse must supply such information or clarifications on such information on request by the Exchange.

- 9.3.3** In addition to the information supplied pursuant to Clause 9.3.2, the Warehouse shall provide to the Exchange, on request, such information as the Exchange may reasonably request from time to time, including details of all Inducements, and details of the provenance of loaded-in metal, including information about metal which may have been held previously in that Warehouse, or in another facility operated by the same Warehouse or member of the Group.
- 9.3.4** For the avoidance of doubt, the Exchange has a right to investigate Warehouses in connection with:
- (i) all Inducements and charges;
 - (ii) any behaviour it suspects may have, or has had, a manipulative, distortive, or disorderly effect on the market; and
 - (iii) a failure to meet any of the minimum loading-out standards and requirements from time to time laid down by the Exchange (save in an event of Force Majeure).
- 9.3.5** All investigations shall be conducted in accordance with Clause 8 above and the Disciplinary Procedures.
- 9.3.6** The Exchange may take disciplinary action and / or, in its discretion, impose additional load-out requirements on the Warehouse whose behaviour the Exchange considers may have, or has had, the effect of creating or maintaining a Queue and / or which has led to market manipulation or distortion; or otherwise created or maintained a disorderly market.
- 9.3.7** All information supplied pursuant to Clause 9.3 shall be treated as confidential by the Exchange and shall be restricted to those authorised staff and officers within the Exchange responsible for analysing such information and/or conducting investigations, the Exchange's professional advisors, regulatory authorities or other person to whom the Exchange is required to disclose it by Relevant Law and Regulation. The Exchange shall not be entitled to have access to legally privileged documents. A list of those persons within the Exchange who are authorised to obtain information from Warehouses in accordance with this Clause 9.3.7 will be circulated to all Warehouses and will be updated from time to time.
- 9.3.8** The following provisions apply in respect of Post-Sale Economic Incentive Arrangements.
- (i) In respect of any metal placed on Warrant on, or after, 1 February 2020:
 - (a) the Warehouse may only enter into a Post-Sale Economic Incentive Arrangement with the Original Metal Owner; and
 - (b) any Post-Sale Economic Incentive Arrangement must be agreed so as to come into effect from the time that the metal is placed on Warrant, and such agreement must be recorded in legally binding written terms agreed between the Warehouse and the Original Metal Owner on or prior to such date.

- (ii) Clause 9.3.8(i) shall not affect the validity of any Post-Sale Economic Incentive Arrangement entered into in respect of any warranted metal prior to 1 February 2020.
- (iii) A Post-Sale Economic Incentive Arrangement in respect of any Warrant may last until the earlier of:
 - (a) the underlying metal is loaded-out of the Warehouse; or
 - (b) such earlier time or event agreed between the Warehouse and the Original Metal Owner; or
 - (c) (where applicable, subject to the application of (iv) below) an Automatic PSEIA Termination.
- (iv) The Exchange may specify by written notice that some or all Post-Sale Economic Incentive Arrangements shall be subject to automatic termination in specific circumstances (an "**Automatic PSEIA Termination**"). The circumstances shall be specified by the notice, but shall be one or both of the following:
 - (a) the cancellation of the Warrant by a Later Metal Owner; or
 - (b) the receipt by the Warehouse of a written request from a Later Metal Owner that the Post-Sale Economic Incentive Arrangement shall be terminated,

provided that such Automatic PSEIA Termination shall only apply in respect of any Post-Sale Economic Incentive Arrangements that relates to any underlying metal that is placed on Warrant on or following the thirtieth (30th) calendar day following the issue by the Exchange of such notice.
- (v) The Warehouse acknowledges and agrees that:
 - (a) in addition to any duties of confidentiality that it may have in respect of information regarding Warrant holders of Warrants that are subject to a Post-Sale Economic Incentive Arrangement (whether such duties arise pursuant to contract or Relevant Law and Regulation), the Warehouse agrees with the Exchange to treat such information as confidential and shall not disclose such information except where permitted under the terms of this Agreement or in circumstances agreed with any person to whom such information relates;
 - (b) such Warehouse shall not disclose to any person, including any Original Metal Owner, information regarding a Later Metal Owner and/or the Warrants held by such Later Metal Owner in breach of this Agreement or of any obligations of confidentiality owed by the Warehouse to such Later Metal Owner, notwithstanding that a Warrant held by such Later Metal Owner may be subject to a Post-Sale Economic Incentive Arrangement between the Warehouse and the Original Metal Owner.

- (vi) Nothing in this Clause 9.3.8 shall prevent a Later Metal Owner and the Warehouse from negotiating and/or agreeing a level of rent and/or FOT below the Warehouse's published rent rates in respect of any Warrants (that is, "**discounted charges**"), provided that such discounted charges shall apply only during the period that such Warrants continue to be owned by that Later Metal Owner. In the event that the underlying metal in respect of such Warrants is also subject to a Post-Sale Economic Incentive Arrangement with an Original Metal Owner, then subject to Clause 9.3.8(v) above, the Warehouse may liaise with such Original Metal Owner to determine whether, and to what extent, the Original Metal Owner will agree to modify the terms of the Post-Sale Economic Incentive Agreement, in order to facilitate the Later Metal Owner's request for discounted charges.
- (vii) Without limitation to the obligations of Warehouses, and the rights of the Exchange, under Clauses 9.3.1 to 9.3.8 above, no Warehouse shall agree any Post-Sale Economic Incentive Arrangement in respect of any Warrants and/or underlying metal:
 - (a) the terms or effect of which is to prevent a Later Metal Owner from withdrawing from the Warehouse the metal underlying the Warrants and/or making alternative arrangements for the storage of such metal; or
 - (b) that has a distortive, manipulative or disorderly effect on the market,

and in the event that the Exchange notifies the Warehouse that it considers that a Post-Sale Economic Incentive Arrangement has any of the effects described above, the Warehouse shall comply with any direction of the Exchange to terminate any such arrangement.

9.4 Termination

- 9.4.1 Without prejudice to the provisions of Clause 8, this Agreement may be terminated, and the Warehouse delisted on a permanent basis, with or without notice, if:
 - 9.4.1.1 the Warehouse commits a serious breach of this Agreement, the LMEsword Regulations or the Operating Procedures;
 - 9.4.1.2 the Warehouse is in breach of any aspect of Clause 1.2 and/or in the opinion of the Exchange, is Insolvent and/or is likely to become Insolvent;
 - 9.4.1.3 the Warehouse breaches Clause 7.5 (compliance with law and regulation);
 - 9.4.1.4 the Warehouse materially fails to meet any of its obligations to the holder for the time being of a Warrant and such obligations are not being disputed in good faith;
 - 9.4.1.5 the Warehouse fails to pay a sum of £10,000 or more when it becomes due, or a lesser sum within 7 Business Days of it becoming due, to the

Exchange under Clause 9.1 or in respect of a fine imposed on it under the Disciplinary Procedures; or

9.4.1.6 a Force Majeure occurs.

Any such termination and delisting will be effective upon by the Directors notifying the Warehouse accordingly. Without prejudice to Clause 9.4.1.5, and except in the case of a Force Majeure under Clause 9.4.1.6, the Exchange may at its discretion grant to the Warehouse 7 Business Days within which to remedy a default under this Clause 9.4.1.

- 9.4.2** The Exchange may by notice served on the Warehouse by no later than 1 October in any year Delist the Warehouse with effect from the following 1 January where the Exchange reasonably believes that the Warehouse is no longer engaged in LME warehousing business.
- 9.4.3** Without prejudice to any other of the Exchange's powers, the Warehouse, or the Exchange, may terminate this Agreement and Delist the Warehouse in question by the service of six months' prior notice (or such other period as they may agree or as provided under Clause 9.11) on the other. On the expiry of such notice, this Agreement shall be terminated and the Warehouse Delisted. Subject thereto and the other powers of the Exchange hereunder, this Agreement shall be for an indefinite term.
- 9.4.4** On and following termination of this Agreement and the Delisting of the Warehouse, the Warehouse shall not be entitled to any rebate of fees paid to the Exchange but shall remain liable for all pre-existing liabilities to the Exchange. In addition, the Warehouse shall remain subject to the obligations imposed by this Agreement as if it were a Warehouse until a period of five years after Delisting has elapsed but shall not be entitled to any of the benefits conferred hereunder, including the right to describe itself as an LME listed warehouse company, and may not issue any further Warrants.
- 9.4.5** On Delisting, the Warehouse must, at its own expense, relocate all metal under Warrant to another LME authorised warehouse company's Authorised Warehouse(s) and arrange for the cancellation of all of its issued and current Warrants. The Exchange's prior approval must be obtained before any relocation arrangements are finalised and in giving such approval (which may not be unreasonably withheld or delayed) the Exchange shall have all due regard to the reasonable instructions of the holders of the Warrants in question, to the extent known to it.
- 9.4.6** The Warehouse shall notify each of its customers (whether or not they are or might become holders of Warrants) that the Warehouse may in certain circumstances be Delisted or Suspended (and the Warehouse shall promptly upon request at any time provide the Exchange with evidence of such notification).

9.5 Notices

- 9.5.1** All notices and other communications shall be in writing and in the English language.

- 9.5.2** Subject to Clause 9.5.5, all notices and other communications required to be served under this Agreement shall be served by electronic messaging (i.e. e-mail). Service of notices by electronic messaging will be deemed effective on the date and time that the sender receives a valid "read receipt". Notices by electronic messaging shall be sent by email to:

Email: LMELegal@lme.com

- 9.5.3** All notices and other communication required to be served on the Warehouse shall be deemed to be validly served thereon if served on the Warehouse's London Agent. A copy of each such notice and communication shall also be sent to the registered office of the Warehouse but failure to send such a copy shall not affect valid service if the notice or other communication has been served on the Warehouse's London Agent.
- 9.5.4** In the event of difficulty in using electronic messaging to send notices under this Agreement, notices and other communications may be served in person or by courier, with such service deemed effective on the date of receipt, unless that date is not a Business Day in which case the notice shall be deemed given and effective on the first following day that is a Business Day.
- 9.5.5** Notices and other communications shall only be validly served by the Warehouse if they are signed by an authorised signatory notified to the Exchange in accordance with Clause 7.3.6. For the avoidance of doubt, the effect of this Clause 9.5.5 is that, unless the Exchange otherwise prescribes, notices and other communications to be served by the Warehouse may not be served by electronic messaging.
- 9.5.6** The Exchange shall not be liable for any actions taken or omitted to be taken in good faith on the basis of any notice or other communication however served which purports to have been given by or on behalf of the Warehouse. The Exchange shall not be under any duty to verify the genuineness of any signature nor the authority of the person which purports to sign a notice or other communication on behalf of the Warehouse.
- 9.5.7** Each party shall respond promptly to the communications of the other party, where such communications require a response.

9.6 Release

Any liability to the Exchange under this Agreement may in whole or in part be released, compounded or compromised or time or indulgence given by the Exchange in its absolute discretion as regards any Warehouse under such liability without in any way prejudicing or affecting its rights against any other or others of the Warehouses under the same or a like liability, whether joint and several or otherwise provided that the Warehouse's liability shall not be increased by such action, nor shall its right to claim compensation or contribution from any person be thereby reduced.

9.7 Waiver

No failure of the Exchange to exercise, and no delay by it in exercising, any right, power or remedy in connection with this Agreement (each a "Right") will operate as a waiver

thereof, nor will any single or partial exercise of any Right preclude any other or further exercise of such Right or the exercise of any other Right. The Rights provided in this Agreement are cumulative and not exclusive of any other Rights (whether provided by law or otherwise). Any express waiver of any breach of this Agreement shall not be deemed to be a waiver of any subsequent breach.

9.8 Invalidity

If any provision in this Agreement shall be held to be illegal, invalid or unenforceable, in whole or in part, under any enactment or rule of law, such provision or part shall to that extent be deemed not to form part of this Agreement but the legality, validity and enforceability of the remainder of this Agreement shall not be affected.

9.9 Governing law and agreement to arbitrate

9.9.1 This Agreement and any non-contractual obligations arising out of or in connection with it shall be governed by and construed in accordance with English law.

9.9.2 Any dispute arising out of or in connection with this Agreement, including any question regarding its existence, validity or termination, shall be referred to and finally resolved by arbitration under the Rules of the LCIA, which rules are deemed to be incorporated by reference into this Clause. The LCIA shall appoint a sole arbitrator. The place of arbitration shall be London. The language to be used in the arbitral proceedings shall be English.

9.9.3 If the Warehouse is not incorporated in England and Wales, it hereby appoints its London Agent as its agent for service of process for the purposes of any proceedings commenced in the English Court seeking interim relief in support of an existing or prospective LCIA arbitration or enforcing any award granted by a tribunal in any such LCIA arbitration.

9.10 Exclusion of Liability

Neither the LME, nor any member of the LME Group, nor any of their Directors nor other officers or members of its Warehousing Committee shall have any liability for any damage, loss, expense or liability of any nature which the Warehouse may suffer or incur in respect of any act or omissions in relation to the provision of warehouse services to Members or its activities or status as a listed Warehouse except to the extent of losses or expenses attributable to its fraud, negligence or wilful default. The terms of this Clause 9.10 shall take precedence over Regulation 11.8.1 of the LMEsword Regulations insofar as that Regulation relates to Warehouses and the Exchange.

9.11 Notices and Amendments

9.11.1 The Exchange may issue notices from time to time concerning any matter relevant to the performance by the Warehouse of its obligations under this Agreement.

9.11.2 The Warehouse shall comply with the terms of any such notice and such notices (including the Exchange's Policy on the Approval of Locations as Delivery Points and the Exchange's Policy on the Approval and Operation of Warehouses) shall be deemed to be incorporated into this Agreement.

9.11.3 The Exchange may amend this Agreement from time to time. Unless it is considered to be an emergency and essential for the proper operation of the market, any such change shall, subject to Clause 9.11.4 below, only take effect after the Warehouse has been given 30 days' prior written notice of any proposed change.

9.11.4 In the event that any such proposed change, or any proposed change to the LMEsword Regulations or Operating Procedures, or any proposed notice under Clause 9.11.1, would have the effect of materially increasing the obligations of any Warehouse, it shall only take effect after the Warehouse has been given 90 days prior written notice thereof. The Exchange undertakes to consult with the affected Warehouses in relation to the proposed change, where practicable for a reasonable period and in reasonable time prior to the start of that 90 day period, and shall have reasonable regard to representations received. In the event that the Warehouse does not wish to be bound by any such proposed change which has the effect of materially increasing the obligations of the Warehouse, it may serve notice of termination of this Agreement at any time prior to the expiry of such notice period, in which event such change shall not at any time take effect with respect to the Warehouse in question and the Warehouse shall be delisted with effect from the date 90 days after the day the notice of termination is served.

9.11.5 Clauses 9.11.3 and 9.11.4 shall not apply to the Disciplinary Procedures.

9.12 No Assignment

The Warehouse may not assign the benefit of this Agreement to, or declare a trust over such benefit in favour of, any other person (or enter into any analogous arrangement in any jurisdiction) without the prior written consent of the Exchange.

9.13 Information Barriers

9.13.1 Each Related Warehouse shall maintain effective information barriers between it and the relevant Trading Company as specified by the Exchange from time-to-time as set out in the Notice: Information barriers between Warehouse Companies and Trading Companies (Ref: 14/202: A195: W098), or any successor notice. The Related Warehouse shall engage a firm of professional accountants in public practice, the choice to be agreed with the Exchange, to assure that the information barriers it has in place meet the criteria specified by the Exchange, under such assurance standard(s) and in such manner as the Exchange may specify from time to time.

9.14 Disclosure

9.14.1 Without implying any duty of confidentiality or other information restrictions on the Exchange, the Warehouse agrees that the Exchange may at any time, if it deems necessary or desirable, disclose to any person or generally publish the following information:

- (i) any Delisting or Suspension of the Warehouse; and/or

- (ii) any exercise by the Exchange of any right under Clause 1.2 including any requirement for additional capital or for the provision of credit protection in the form of cash cover or performance bonds.

10 Interpretation

10.1 Definitions

In this Agreement, unless the context otherwise specifies, the words **"includes"**, **"including"**, **"for example"** and **"in particular"** shall be construed as being **"without limitation"**. Further, the following words and expressions in this Agreement shall, unless the context otherwise requires, bear the following meanings:

"Accounting Principles" means IFRS or, if the Exchange agrees, the generally agreed accounting principles of the jurisdiction of incorporation of the Warehouse;

"Amendable Details" has the meaning given in Clause 3.1.2;

"Authorised Warehouse" means a warehouse storage facility operated by the Warehouse in a particular Delivery Point, which has been approved by the Exchange for the purpose of this Agreement;

"Automatic PSEIA Termination" has the meaning given in Clause 9.3.8(iv);

"Business Day" has the meaning given in the Rules;

"Cancelled Tonnage" means metal that has been taken off Warrant, but which (at the relevant time) remains on the Warehouse's premises;

"Charge Cap Information" has the meaning given in Clause 5.3.7;

"Charge Caps" has the meaning given in Clause 5.3.1;

"Contract" has the meaning given in the Rules;

"Corrupt Act" has the meaning given in Clause 7.5.3

"Delist" means the Warehouse being delisted or otherwise ceasing to be an LME listed warehouse company in accordance with the Rules or this Agreement (including pursuant to Clause 9.4), and **"Delisted"** and **"Delisting"** shall have the corresponding meaning.

"Delivery Point" means a specific geographic area within which warehouses are listed and approved by the LME for the issue of Warrants;

"Delivery Point Country" means a country in which one or more Delivery Points is located;

"Depository" means the person appointed by the Exchange from time to time to act as such for the purposes of LMEsword;

"Directors" means the directors of the Exchange from time to time;

"discounted charges" has the meaning given in Clause 9.3.8(iv);

"Disciplinary Procedures" has the meaning given in Clause 8;

"the Exchange" means The London Metal Exchange;

"the Financial Conduct Authority" means the regulator (Company No. 01920623) currently based at 12 Endeavour Square, London E20 1JN 25, or any successor body;

"Force Majeure" means an event which is beyond the reasonable control of the Warehouse and which is, in the opinion of the Exchange, likely to render the Warehouse unable to perform its obligations under this Agreement either permanently or for more than 30 days or such other period of time that would, in the Exchange's view, have such a serious effect on the Warehouse that in business terms it would be tantamount to a permanent cessation, including any act of war, terrorism, insurrection, revolution, act of God or the imposition of legal, regulatory or tax restrictions in any relevant location;

"FOT" means free on truck;

"Group" means, in relation to the Warehouse, any subsidiary or any holding company from time to time of the Warehouse, and any subsidiary from time to time of a holding company of the Warehouse. The terms "holding company" and "subsidiary" have the meanings given to them in section 1159 of the Companies Act 2006;

"IFRS" means international accounting standards within the meaning of IAS Regulation 1606/2002 to the extent applicable to the relevant financial statements;

"Inducement" means, without limitation, any fee, commission, discount, rebate, provision of transport services, or any other monetary or non-monetary benefit given to attract the load-in of metal or deter the load-out of metal (and shall include, without limitation, any Post-Sale Economic Incentive Arrangement);

"Later Metal Owner" means any person who purchases a Warrant from an Original Metal Owner, and any other person who subsequently becomes a Warrant holder in respect of such Warrant (including by receiving the Warrant in settlement of a Contract), during such time as the metal underlying such Warrant remains in the Warehouse;

"LCIA" means the London Court of International Arbitration;

"LME" means The London Metal Exchange;

"LME Facility Storage Agreement" has the meaning given in clause 6.3.1.1;

"LME Good Delivery Location" means a Location approved as a Delivery Point, pursuant to the LME Policy on the Approval of Locations as Delivery Points;

"LME Group" means, in relation to the LME, any subsidiary or any holding company from time to time of the LME, and any subsidiary from time to time of a holding company of the LME, including the Hong Kong Exchanges and Clearing Limited (HKEx). The terms "holding company" and "subsidiary" shall have the meanings given to them in section 1159 of the Companies Act 2006.

"LME Off-Warrant Storage Agreement" has the meaning given in clause 6.3.1.4;

"LME Voluntary Reporting Agreement" has the meaning given in Clause 6.3.1.3;

"LME Warranting Agreement" has the meaning given in clause 6.3.1.2;

"LMEsword" means the system for, inter alia, the electronic transfer of title to Warrants governed and constituted by the LMEsword Regulations;

"LMEsword Regulations" means the regulations governing the operation of LMEsword issued by the Exchange as amended from time to time in accordance with the terms thereof;

"load-out" has the meaning given in the Exchange's Policy on the Approval and Operation of Warehouses, as revised from time to time;

"Insolvent" means, in relation to a person:

- (i) that person:
 - (a) is unable or admits inability to pay its debts as they fall due;
 - (b) suspends making payments on any of its debts; or
 - (c) by reason of actual or anticipated financial difficulties, commences negotiations with one or more of its creditors (excluding the Exchange) with a view to rescheduling any of its indebtedness;
- (ii) the value of its assets is less than its liabilities (taking into account contingent and prospective liabilities).
- (iii) a moratorium is declared in respect of any of its indebtedness;
- (iv) any corporate action, legal proceedings or other procedure or step is taken in relation to:
 - (a) the suspension of payments, a moratorium of any indebtedness, winding-up, dissolution, administration or reorganisation (by way of voluntary arrangement, scheme of arrangement or otherwise) of that person other than a solvent liquidation or reorganisation of that person;
 - (b) a composition, compromise, assignment or arrangement with any creditor of that person;
 - (c) the appointment of a liquidator (other than in respect of a solvent liquidation of the person), receiver, administrative receiver, administrator, compulsory manager or other similar officer in respect of that person or any of its assets; or
 - (d) enforcement of any security over any assets of that person,or any analogous procedure or step is taken in any jurisdiction (save that this paragraph (iv) shall not apply to any winding-up petition which is frivolous or vexatious and is discharged, stayed or dismissed within 14 days of commencement;

"London Agent" has the meaning given in Clause 1.3.1;

"Major Currency" has the meaning given in the Rules;

"Market Abuse" means the types of behaviour proscribed by section 118 of the Financial Services and Markets Act 2000 or any successor law or regulation;

"Member" means a member of the Exchange;

"Operating Procedures" means the manual issued by the Exchange pursuant to the LMEsword Regulations setting out detailed procedures and information relating to the operation of LMEsword;

"Original Metal Owner" means, in respect of any Warrant, the Warrant holder that first placed the underlying metal on Warrant;

"person" includes an individual, partnership, unincorporated association and body corporate;

"Post-Sale Economic Incentive Arrangement" means any agreement between a Warehouse and an Original Metal Owner, under which the Original Metal Owner has a right to benefit from any income or other benefits received by the Warehouse in respect of metal underlying a Warrant, for some or all of the period between (i) the sale of the Warrant by the Original Metal Owner to any Later Metal Owner(s) and (ii) the load-out of the metal from the Warehouse (but shall not include the payment by the Warehouse of a fixed payment to an Original Metal Owner, including where the Warehouse intends to recoup such fixed payment from revenues received following the sale of the metal by the Original Metal Owner);

"Public Official" means an official, whether elected or appointed, who holds a legislative, administrative or judicial position of any kind of a country or territory inside or outside the UK;

"Queue" means circumstances where load-out requests cannot be serviced immediately by the Warehouse, measured by the number of calendar days a metal owner cancelling a Warrant today must wait for a scheduled delivery slot;

"Related Warehouse" means a Warehouse which is associated with a Trading Company. For the purpose of this definition, a Warehouse is associated with a Trading Company where the Warehouse is a subsidiary or holding company of a Trading Company, or a subsidiary or holding company of one of a Trading Company's subsidiaries or holding companies or otherwise has a Close Connection with a Trading Company. The terms "holding company" and "subsidiary" have the meanings given to them in section 1159 of the Companies Act 2006. A Warehouse shall have a "Close Connection" with a Trading Company if any person or company either directly or indirectly holds or otherwise effectively controls 20% or more of the shares or voting rights in both the Warehouse and the Trading Company; or any Trading Company directly or indirectly holds or effectively controls 20% or more of the shares or voting rights of the relevant Warehouse (or vice versa);

"Relevant Law and Regulation" means the laws, rules and regulations of any statutory, governmental or regulatory authority in any country relevant to the operations of the Warehouse including the principles, rules and standards of the Financial Conduct Authority as in force from time to time;

"Rules" means the rules and regulations issued by the Exchange (and incorporating the LMEsword Regulations) governing the London Metal Exchange administered by the Exchange as the same may be amended in accordance with Article 71 of the Articles of Association of the Exchange and a reference to a Rule shall be construed accordingly;

"Secretary" means any person appointed to perform the duties of Secretary of the Exchange;

"Special Committee" means the Special Committee of the LME, as maintained by the LME from time-to-time, details of which are published on the LME's website;

"Special Contract Rules for Metals" means Part 6 of the Rules as the same may be amended from time to time;

"Suspend" means the suspension of the ability of the Warehouse to issue Warrants pursuant to the Rules or this Agreement (including pursuant to Clause 1.2.5(B)), and **"Suspended"** and **"Suspension"** shall have the corresponding meaning.

"this Agreement" means the agreement between the Warehouse and the Exchange incorporating these terms and conditions as amended from time to time in accordance herewith and incorporating the Disciplinary Procedures in accordance with Clause 8 hereof;

"Trading Company" means any Member or non-Member company that enters into Contracts or trades metal that is deliverable against a Contract;

"Warehouse" means a warehouse company which is party to this Agreement, accepted as such by the Exchange and listed in Appendix III of the Rules;

"Warehousing Committee" means the LME warehousing committee, details of which are set out on the LME website www.lme.com;

"Warehouse Maximum Charge Levels" has the meaning given in Clause 5.2.1;

"Warrant" means a warehouse warrant for the storage of metal, issued by the Warehouse in accordance with this Agreement and in a form approved by the Exchange.

10.2 Interpretation

10.2.1 Where this Agreement refers to a document or thing being "prescribed", that shall mean prescribed by the Exchange from time to time in a notice issued by it to Warehouses.

10.2.2 Words importing the singular shall, where the context permits, include the plural and vice versa. Words importing gender shall include each gender.

10.2.3 Where this Agreement refers to an act being undertaken by the Exchange, that act may be performed by the Exchange acting through the Directors of the Exchange or any duly authorised committee of the Directors of the Exchange or duly authorised individual.

11 Principles of conduct

The Warehouse shall:

- 11.1** Conduct its business with due skill, care and diligence, observing high standards of conduct and safety, complying with the warehouse agreement, the LME's regulations, these principles, the common standards of working practice for warehouse companies, other requirements for warehouse companies set by the Exchange, and Relevant Law and Regulation.
- 11.2** Not engage in behaviour which would manipulate or distort the Exchange's markets, nor create or attempt to create a disorderly market, nor require or encourage or assist others to do so. In particular, without limitation, not engage in any behaviour which would be likely to manipulate or distort the market with the effect of creating or maintaining a Queue.

- 11.3 At all times observe high standards of integrity and fair dealing, observe high standards of market conduct, and not enter into any arrangement or agreement that prohibits the provision of any information that the LME requests in its role as a Recognised Investment Exchange.
- 11.4 Maintain financial resources at or above the minimum level set by the LME to ensure continuity in the provision of services for owners of metal on LME warrant.
- 11.5 Manage conflicts of interest fairly, both between itself and holders of metal on LME warrant and between holders of metal on LME warrant, ensuring fair and equitable treatment to all holders of metal on LME warrant at all times.
- 11.6 Ensure that all metal held on LME warrants is stored continuously in good delivery condition and that it is identified and stored so as to facilitate easy access and delivery without undue delay.
- 11.7 Deal with those placing metal on LME warrant, those holding LME warrants and those taking metal off LME warrant on a fair and equitable basis.
- 11.8 Organise and control its affairs in a responsible manner, keep proper records, retain all relevant documentation, have well-defined procedures for handling metal stored on LME warrant and for delivering it out expeditiously, ensure that its employees or agents are suitable, adequately trained and properly supervised, and that it has well-defined procedures to ensure compliance with this Agreement, the LMEsword Regulations and the Operating Procedures and all other LME rules and requirements applicable to Warehouses.
- 11.9 Pay due regard to the information needs of LME warrant holders by having transparency of: normal hours of work, all delivery in and load-out charges, rent and rent payment dates, and total average daily load-out volume rates by metal and mode of transport.
- 11.10 Arrange adequate protection for metal held on LME warrant by insuring it against unexplained losses and losses caused by error, negligence, or fraudulent actions of its servants or agents or its personnel.
- 11.11 Deal with the LME in an open and co-operative manner, keeping it informed promptly of anything concerning the suitability of its warehouses or its continued suitability as a warehouse company, or about metal stored with it or that it knows will be placed on or taken off LME warrant, that the LME, as a Recognised Investment Exchange (as defined by the Financial Conduct Authority), which has responsibility for ensuring that its markets are proper and orderly and not subject to abuse, might reasonably expect to be disclosed to it.

Appendix A

Charge Cap Increase Mechanism

Formula for FOT

The Exchange shall apply the following formula for increasing the Charge Cap for FOT in accordance with Clause 5.3.4 of this Agreement:

(1) Define the Charge Cap applied in 2017/18 as follows:

$P_{avg\ 2015-17, \text{ local currency}}$ is the arithmetic average of the highest Warehouse Maximum Charge Level levied by any Warehouse within the Delivery Point Country, as published by the Exchange in (i) December 2014, for the period 1 April 2015 to 31 March 2016, and (ii) February 2016, for the period 1 April 2016 to 31 March 2017.

(2) Apply historical change in CPI to the price in local currency

For all charging years following 1 April 2026-31 March 2027, for each charge year t , set the Charge Cap (P_t) as follows:

$$P_{t, \text{ local}} = P_{avg\ 2015 - 17, \text{ local currency}} \times ACPI_{august\ t-1} / ACPI_{august\ 2025}$$

Where

$ACPI_{august\ t-1}$ is the arithmetic average of the local monthly CPI index published in the 12 months up to and including August of year $t-1$; and

$ACPI_{august\ 2020}$ is the arithmetic average of the local monthly CPI index published in the 12 months up to and including August in the year 2020.

However, if $P_{t, \text{ local}}$ would be lower than $P_{t-1, \text{ local}}$, then $P_{t, \text{ local}}$ will instead be set to $P_{t-1, \text{ local}}$.

The above formula assumes that the CPI index value shall be measured relative to August, on the basis that the Exchange publishes the Charge Cap in October (CPI monthly data is published with a one month lag). If the Exchange publishes the Charge Cap in a different month, the formula shall be adjusted accordingly. This shall be the case for all formula in this Appendix A.

Formula for rental charges

The Exchange shall apply the following formula for increasing the Charge Cap for rent in accordance with Clause 5.3.4 of this Agreement:

(1) Define the Charge Cap applied in 2017-2018 as follows:

$P_{avg\ 2015-17, \$}$ is the arithmetic average of the highest Warehouse Maximum Charge Level levied by any Warehouse within the Delivery Point Country, as published by the Exchange in (i) December 2014, for the period 1 April 2015 – 31 March 2016, and (ii) February 2016, for the period 1 April 2016 – 31 March 2017.

Define the Charge Cap for rent in the local currency as follows:

$$P_{avg\ 2015 - 17, \text{ local currency}} = P_{avg\ 2015 - 17, \text{ US\$}} \times FX\$_{avg\ 2015 - 17}$$

Where

$FX\$_{avg\ 2015 - 17}$ corresponds to the average daily local currency/US\$ exchange rate for the two charge years, running over the period 1 April 2015 – 31 March 2017 and 1 April 2016 – 31 March 2017.

(2) Apply historical change in CPI (12M average) to the price in local currency

For all charging years following 1 April 2026 – 31 March 2027, for each charge year t , set the Charge Cap (P_t) as follows:

$$P_{t, \text{ local}} = P_{avg\ 2015 - 17, \text{ local currency}} \times ACPI_{august\ t-1} / ACPI_{august\ 2025}$$

Where

$ACPI_{\text{august } t-1}$ is the arithmetic average of the local monthly CPI index published in the 12 months up to and including August of year $t-1$; and

$ACPI_{\text{august } 2025}$ is the arithmetic average of the local monthly CPI index published in the 12 months up to and including August in the year 2025.

(3) Convert back to US\$

$$P_{t, \$} = P_{t, \text{local}} / FX_{\text{august } t-1}$$

where $FX_{\text{august } t-1}$ is the average daily local currency/US\$ exchange rate, measured over an annual period up to and including 31 August in the year prior to the charge year t .

However, if $P_{t, \$}$ would be lower than $P_{t-1, \$}$, then $P_{t, \$}$ will instead be set to $P_{t-1, \$}$.

ADDITIONAL FORMULAE

- (1) Where the Exchange determines a new Charge Cap in accordance with Clause 5.3.5 of this Agreement, or the Special Committee determines a Charge Cap in accordance with Clause 5.3.6 of this Agreement, in either case during the five year price freeze period contemplated by Clauses 5.3.2 and 5.3.3 of this Agreement, the following formulae shall apply when increasing the Charge Cap in accordance with Clause 5.3.4 of this Agreement:

FOT

(1) Define the Charge Cap determined by the Exchange / Special Committee as follows:

$P_{\text{sp cmte, local}}$ is the Charge Cap for FOT determined by the Exchange / Special Committee in the local currency.

(2) Apply historical change in CPI to the price in local currency

For all charging years following 1 April 2026 – 31 March 2027, for each charge year t , set the Charge Cap (P_t) as follows:

$$P_{t, \text{local}} = P_{\text{sp cmte, local}} \times ACPI_{\text{august } t-1} / ACPI_{\text{august } 2025}$$

Where

$ACPI_{\text{august } t-1}$ is the arithmetic average of the local monthly CPI index published in the 12 months up to and including August of year $t-1$; and

$ACPI_{\text{august } 2025}$ is the arithmetic average of the local monthly CPI index published in the 12 months up to and including August in the year 2025.

However, if $P_{t, \text{local}}$ would be lower than $P_{t-1, \text{local}}$, then $P_{t, \text{local}}$ will instead be set to $P_{t-1, \text{local}}$.

Rental Charges

(1) Define the Charge Cap determined by the Exchange / Special Committee as follows:

$P_{\text{sp cmte, US\$}}$ is the Charge Cap for rent determined by the Exchange / Special Committee in US\$.

Define the Charge Cap for rent in the local currency as follows:

$$P_{\text{sp cmte, local currency}} = P_{\text{sp cmte, US\$}} \times FX_{\text{sp cmte}}$$

Where

$FX_{\text{sp cmte}}$ is the average daily local currency/US\$ for the annual period measured up to and including 31 August in the year prior to the year for which the Exchange / Special Committee determines a Charge Cap.

(2) Apply historical change in CPI (12M average) to the price in local currency

For all charging years following 1 April 2026 – 31 March 2027, for each charge year t , set the Charge Cap (P_t) as follows:

$$P_{t, \text{local}} = P_{\text{sp cmte, local currency}} \times \text{ACPI}_{\text{august } t-1} / \text{ACPI}_{\text{august } 2025}$$

Where

ACPI_{august t-1} is the arithmetic average of the local monthly CPI index published in the 12 months up to and including August of year t-1; and

ACPI_{august 2025} is the arithmetic average of the local monthly CPI index published in the 12 months up to and including August in the year 2025.

(3) Convert back to US\$

$$P_{t, \$} = P_{t, \text{local}} / \text{FX\$}_{\text{august } t-1}$$

where $\text{FX\$}_{\text{august } t-1}$ is the average daily local currency/US\$ exchange rate, measured over an annual period up to and including 31 August in the year prior to the charge year t.

However, if $P_{t, \$}$ would be lower than $P_{t-1, \$}$, then $P_{t, \$}$ will instead be set to $P_{t-1, \$}$.

- (2) Where the Exchange determines a new Charge Cap in accordance with Clause 5.3.5 of this Agreement, or the Special Committee determines a Charge Cap in accordance with Clause 5.3.6 of this Agreement, in either case after the five year price freeze period contemplated by Clauses 5.3.2 and 5.3.3 of this Agreement, the following formulae shall apply when increasing the Charge Cap in accordance with Clause 5.3.4 of this Agreement:

FOT

(1) Define the Charge Cap determined by the Exchange / Special Committee as follows:

$P_{\text{sp cmte, local}}$ is the Charge Cap for FOT determined by the Exchange / Special Committee in the local currency.

(2) Apply historical change in CPI to the price in local currency

For charge years t following the charge year for which the Exchange / Special Committee made a determination, set Charge Cap (P_t) as follows:

$$P_{t, \text{local}} = P_{\text{sp cmte, local currency}} \times \text{ACPI}_{\text{august } t-1} / \text{ACPI}_{\text{august sp cmte } -2}$$

Where

ACPI_{august t-1} is the arithmetic average of the local monthly CPI index published in the 12 months up to and including August of year t-1; and

ACPI_{august sp cmte -2} is the arithmetic average of the local monthly CPI index published in the 12 months up to and including August in the year two years prior to the determination of the Charge Cap by the Exchange / Special Committee. For example, if the Exchange / Special Committee makes a determination for the charge year beginning 1 April 2030, the relevant CPI in this case is the 12 months up to and including August 2028.

However, if $P_{t, \text{local}}$ would be lower than $P_{t-1, \text{local}}$, then $P_{t, \text{local}}$ will instead be set to $P_{t-1, \text{local}}$.

Rental Charges

(1) Define the Charge Cap determined by the Exchange / Special Committee as follows:

$P_{\text{sp cmte, US\$}}$ is the Charge Cap for rent determined by the Exchange / Special Committee in US\$.

Define the Charge Cap in the local currency as follows:

$$P_{\text{sp cmte, local currency}} = P_{\text{sp cmte, US\$}} \times \text{FX\$}_{\text{sp cmte}}$$

Where

$\text{FX\$}_{\text{sp cmte}}$ is the average daily local currency/US\$ for the annual period measured up to and including 31 August for the year prior to the year for which the Exchange / Special Committee determines a Charge Cap.

(2) Apply historical change in CPI (12M average) to the price in local currency

For each charging year t following a determination by the Exchange / Special Committee, set the Charge Cap (P_t) as follows:

$$P_{t, \text{local}} = P_{\text{sp cmte, local currency}} \times \text{ACPI}_{\text{august } t-1} / \text{ACPI}_{\text{august sp cmte } -2}$$

Where

$\text{ACPI}_{\text{august } t-1}$ is the arithmetic average of the local monthly CPI index published in the 12 months up to and including August of year t-1; and

$\text{ACPI}_{\text{august sp cmte } -2}$ is the arithmetic average of the local monthly CPI index published in the 12 months up to and including August in the year two years prior to the determination of the Charge Cap by the Exchange / Special Committee. For example, if the Exchange / Special Committee makes a determination for the charge year beginning 1 April 2030, the relevant CPI in this case is the 12 months up to and including August 2028.

(3) Convert back to US\$

$$P_{t, \$} = P_{t, \text{local}} / \text{FX}_{\text{august } t-1}$$

where $\text{FX}_{\text{august } t-1}$ is the average daily local currency/US\$ exchange rate, measured over an annual period up to and including 31 August in the year prior to the charge year t.

However, if $P_{t, \$}$ would be lower than $P_{t-1, \$}$, then $P_{t, \$}$ will instead be set to $P_{t-1, \$}$.

DEFINITIONS AND AVAILABILITY OF CPI

The following table sets out the official index name and source for the CPI indexation of Charge Caps.

CPI measures by country

Country	Official index name	Definition	Original source	Data available monthly
Belgium	Consumer Price Index - General index	The Belgium IPC measures the changes in the retail prices, inclusive of VAT, of a fixed set of goods and services used by households.	Statistics Belgium	✓
Germany	Consumer Price Index - Overall index	The index tracks the change in the prices of a basket of goods and services bought by the reference population for the purposes of consumption. Types of prices: Prices measured are actual prices to the consumer and include turnover taxes and VAT, taking into account rebates.	Statistisches Bundesamt Deutschland	✓
Italy	Consumer Price Index - All items	The index provides a measure of temporal change in the prices of a basket of goods and services destined to final private consumption. Types of prices: the total prices of products, whether fully or partially paid by consumers.	ISTAT	✓
Japan	Consumer Price Index - All items	The index measures monthly changes in the general level of prices of goods and services that households acquire for consumption. Type of prices: Prices are transaction prices, excluding temporary reductions, special sales, etc.	Statistics Bureau of Japan	✓
Korea	Consumer Price Survey (Index) - Total	The Consumer price index is produced by collecting the prices of goods and services purchased for consumption purposes. Type of prices: Actual transaction prices inclusive of sales taxes.	KOSTAT	✓
Netherlands	Consumer Price Index - All Categories	The index measures monthly changes in the general level of prices of goods and services bought for consumption. Types of prices: Consumption expenditure is valued at purchasers' prices.	CBS	✓
Spain	Consumer Price Index - Overall index	The Consumer Price Index (CPI) measures monthly changes in the general level of prices of goods and services bought by private households for consumption purposes. Types of prices: Retail prices, including sales taxes and other taxes, and price reductions (since January 2002) but excludes special offers and deferred payments.	INE	✓
Sweden	Consumer Price Index - Total	The CPI shows the average change in prices of a fixed basket of goods and services available for private consumption. Types of prices: Prices actually paid by consumers including taxes and without any addition of subsidies.	SCB	✓
United Kingdom	CPI All Items Index	The index provide an average measure of change in prices of goods and services bought for the purpose of consumption. Type of prices: Cash prices, inclusive of taxes such as VAT. Rebates are considered on a case by case basis.	ONS	✓
United States	Consumer Price Index-All Urban Consumers - U.S. All items	The CPI measures pure price change in a market basket of goods and services of constant quality purchased for everyday living by all residents in urban areas. Tax/rebates: The prices include any applicable taxes, discounts and rebates.	US Bureau of Labour Statistics	✓
Malaysia	Total Consumer Price Index	The Consumer Price Index (CPI) measures the percentage change through time in the cost of purchasing a constant "basket" of goods and services representing the average pattern of purchases made by a particular population group in a specified time period.	Department of Statistics, Malaysia	✓
Singapore	Consumer Price Index - All items	The CPI is designed to measure the average price changes of a fixed basket of goods and services commonly purchased by the households over time. Types of prices: Transaction prices (including taxes) actually paid.	Department of Statistics, Singapore	✓
Taiwan	Consumer Price Index	The consumer price index (CPI) is a weighted average price which measures the changes in the price level of consumer goods and services generally purchased by households for consumption purposes.	National Statistics, Republic of China (Taiwan)	✓
UAE	Consumer Price Index - All items	The Consumer Price Index (CPI) measures the average price changes in a fixed basket of consumption goods and services.	Federal Competitiveness and Statistics Authority	✓

FX data sources

Country	Data periodicity	Original source
Belgium	Daily, monthly, annual	International Monetary Fund, International Financial Statistics
Germany	Daily, monthly, annual	International Monetary Fund, International Financial Statistics
Italy	Daily, monthly, annual	International Monetary Fund, International Financial Statistics
Japan	Daily, monthly, annual	International Monetary Fund, International Financial Statistics
Korea	Daily, monthly, annual	International Monetary Fund, International Financial Statistics
Netherlands	Daily, monthly, annual	International Monetary Fund, International Financial Statistics
Spain	Daily, monthly, annual	International Monetary Fund, International Financial Statistics
Sweden	Daily, monthly, annual	International Monetary Fund, International Financial Statistics
United Kingdom	Daily, monthly, annual	International Monetary Fund, International Financial Statistics
United States	Daily, monthly, annual	International Monetary Fund, International Financial Statistics
Malaysia	Daily, monthly, annual	International Monetary Fund, International Financial Statistics
Singapore	Daily, monthly, annual	International Monetary Fund, International Financial Statistics
Taiwan	Daily, monthly, annual	Federal Reserve
UAE	Daily, monthly, annual	International Monetary Fund, International Financial Statistics

Note: Data available from the IMF, defined as: Official exchange rate (LCU per US\$, period average): this rate refers to the exchange rate determined by national authorities or to the rate determined in the legally sanctioned exchange market.

The London Metal Exchange

Appendix G



LME Complaints Procedure

September 2017

Please respond to:-
The Complaints Officer
complaints@lme.com

Complaints Procedure

Scope

1. ~~4~~—The London Metal Exchange (the “LME” or “Exchange”) investigates complaints ~~made against the LME, its personnel, its members or its listed warehouses which may involve breaches of statutory duty, the LME rules or the proper operation of the market~~ in relation to:-
- (a) The performance by the LME of, or failure to perform, any of its regulatory functions ~~of the Exchange~~¹;
 - (b) Benchmarks² administered by the LME³ (with the exception of complaints relating to the LBMA Platinum and Palladium Prices, which are excluded from this complaints procedure because they are handled under the complaints procedure set out in the LBMA Platinum and Palladium (“LPP”) Prices Regulations (“**LPP Regulations**”⁴) and third party-provided prices used by the LME to price LME contracts (which are excluded from this complaints procedure because they are determined by third parties);
 - ~~(b) Business transacted on the Exchange;~~
 - ~~(c) Transactions cleared through the LME matching system;~~
 - ~~(d) LME contracts;~~
 - ~~(e) LME prices;~~
 - ~~(c) (f) The conduct of~~compliance by LME members ~~in carrying out LME business~~with the terms of the LME Rulebook as published by the LME from time to time, and any Administrative Procedures and/or Notices issued pursuant to such Rulebook (together, the “LME Rules”);
 - ~~(d) The compliance by listed warehouses with the terms of the LME’s warehousing agreement and warehousing policies relevant to listed warehouses from time to time (“LME Warehousing Rules”)~~ only where such compliance relates to: (i) the storage of LME metal on warrant, (ii) placing metal on LME warrant, and (iii) removing metal from LME warehouses; and
 - ~~(g) The conduct of warehouses listed by LME in carrying out warehousing business in relation to metal on LME warrant, metal taken off LME warrant or metal due to be put on LME warrant;~~
 - ~~(h) The suitability of a brand for listing by the LME;~~
 - ~~(i) LME warrants and the warranting of metal; or~~
 - ~~(e) (j) The~~Complaints in relation to the quality of LME warranted metal.

¹ As a recognised investment exchange under the Financial Services and Markets Act 2000, the LME must put in place effective arrangements for the investigation and resolution of complaints arising in connection with the performance of, or failure to perform, any of its regulatory functions.

² As an Annex II “Commodity Benchmark” administrator under the European Benchmarks Regulation, the LME must have in place a complaints handling policy setting out procedures for receiving, investigating and retaining records concerning complaints made about an administrator’s calculation process.

³ A full list of the benchmarks administered by the LME is set out on the LME website at <https://www.lme.com/en-GB/About/Regulation/European-Benchmarks-Regulation>, as amended from time to time.

⁴ <https://www.lme.com/Metals/Precious-metals/LBMA-pricing-governance>



2. In order to be investigated under this complaints procedure, the complaint must fall within one of the relevant heads of complaint (a) – (e) as set out in paragraph 1 above. The LME shall be under no obligation to investigate any complaint which does fall within one of these heads of complaint or which otherwise does not comply with the requirements of this complaints procedure.
3. The LME may decline to investigate a complaint made under paragraph 1 where the LME considers in its sole discretion that:
 - a. the complaint is of a frivolous or vexatious nature or amounts to an abuse of process;
 - b. there has been unreasonable delay on the part of the complainant in bringing the complaint;
 - c. the complaint is connected with a contractual or commercial dispute and is not connected in any way with the LME's regulatory functions; or
 - d. the complaint concerns:
 - i. the LME's relationship with its employees;
 - ii. the content of the LME Rules or the LME Warehousing Rules; or
 - iii. a decision against which the complainant has the right to appeal against disciplinary procedures under the LME Rulebook or the LME Warehousing Rules.
4. In addition to the grounds set out in paragraph 3, the LME may decline to investigate a complaint made under paragraph 1(c)-(e) where the LME considers in its sole discretion that a more appropriate dispute resolution forum exists⁵.
5. The LME shall not be prevented from continuing to take such action, or further action, as it considers appropriate during the investigation by the LME or the Complaints Commissioner in relation to any matter which is related to a complaint or complainant.

Registering a Complaint

All Complaints

6. ~~2-~~ The complaint must be made in writing. In the event that it is made by a company, it should be signed by a director or equivalent officer.
7. ~~3-It~~ The complaint should include sufficient information to allow the LME to (a) identify the relevant heads of complaint in accordance with paragraph 1 above, (b) properly identify the ~~trade(s) or activity complained of, and~~ matter to which the complaint relates, and (c) (if relevant) establish the basis for any alleged loss or other detriment suffered by the complainant. See also paragraph 13 below in respect of complaints under head (e). If insufficient information is provided, the LME may request further information. Where a

⁵ This complaints procedure is not intended to be a private dispute resolution service for disputes between commercial counterparties.



complaint is made against more than one participant (for example, complaints against two members, or the LME and a member) separate complaints should be made against each participant, although reference may be made to background material provided with the other complaint.

8. The complaint must be sent either by post to:-

The Complaints Officer
The London Metal Exchange
10 Finsbury Square
London
EC2A 1AJ

Or by email to:-

complaints@lme.com

Marked "Complaint"

Registration Fee for Certain Complaints

9. Where the complaint falls within heads (c)-(e) of paragraph 1 above, the LME may require the complainant to pay a registration fee in order to cover the costs of the LME (and any external advisors it chooses to instruct) in investigating the complaint. The costs of the LME shall include the time cost of LME staff spent investigating the complaint. The registration fee is not intended to be profit-making for the LME, but solely to cover its costs.
10. On receipt of a complaint falling within heads (c)-(e) of paragraph 1 above, the LME shall assess the likely costs which it reasonably believes it will incur during the investigation of the complaint. Such cost figure shall constitute the amount of the registration fee payable. The LME shall inform the complainant in writing of the amount of the registration fee payable and give instructions for how to make payment. Any timescales for investigation of the complaint shall only start to run from receipt of the registration fee by the LME. The LME shall be under no obligation to investigate the complaint in the event that the complainant fails to make any payment required.
11. In the event that the LME's costs exceed the amount of the registration fee, the LME shall be responsible for any such costs, and may not call for any further sums from the complainant. In the event that the LME's costs are less than the registration fee, it shall return any unused sums to the complainant within three months following the decision. The LME shall be under no obligation to account to the complainant or any other person for the time of its staff or external advisors.
12. In the event that the complainant's complaint is upheld, the LME may apportion some / all liability for payment of the registration fee to the respondent (see below).

Complaints in relation to Metal Quality

13. ~~4~~ For complaints in relation to the quality of LME warranted metal, under paragraph 1(e) above, the complainant must provide certain additional information ~~must be provided~~ as follows: (a) a chemical analysis certificate, (b) the brand name(s) of production, (c) the



lot/batch numbers of metal, (d) the quantity of metal, (e) the name and address of the LME listed warehouse company that had taken delivery of the metal that is the subject of the complaint, (f) the relevant warrant numbers, (g) if applicable, supporting documentation accompanying delivery (i.e. certificates of analysis/conformity). The chemical analysis certificate(s) supporting a complaint referred to at (a) above must be issued by a LME listed sampler and assayer ("**LSA**"). The complainant must instruct a LME listed sampler and assayer to carry out sampling and assaying procedures in accordance with the LME's instructions to LSA's. These instructions refer to LSA's requirement to undertake sampling and assaying work in respect to "Brand Listing of Metals and Assay Certificates for Metals the Subject of LME Metals Contracts". Costs incurred must be borne by the complainant (and shall be in addition to any amount payable to the LME by way of registration fee as contemplated above).

~~5 Any information with the complaint or obtained from the complainant in the course of a subsequent investigation may be disclosed to third parties such as other regulatory authorities as the LME considers appropriate but subject to its normal rules and procedures.~~

~~6 The complaint must be sent either by post to:-~~

~~The Complaints Officer
The London Metal Exchange
10 Finsbury Square
London
EC2A 1AJ~~

~~Or by email to:-~~

Conduct of the Investigation of the Complaint

~~complaints@lme.com~~

14. All complaints received by the LME shall be recorded in a centralised complaints register maintained by the LME Legal Department. In relation to a complaint that relates to an LME benchmark, the LME Pricing & Valuations Committee shall also be notified.

15. The LME shall acknowledge the complaint in writing as soon as reasonably practicable. The Legal Department shall consider whether any registration fee is due (see above) and confirm this in writing to the complainant as soon as reasonably practicable. The complaint will be investigated in a timely and fair manner by the LME Legal Department who may act in conjunction with other LME departments as appropriate. The investigation may involve other staff at the LME or outside professional assistance as appropriate.

Marked "Complaint"



~~7 There is no filing fee.~~

~~8 The complaint will be acknowledged and investigated by the LME Legal and/or Compliance Department who may act in conjunction with the LME Warehousing Department and others as appropriate. The investigation may involve other staff at the LME or outside professional assistance as appropriate.~~

~~16. 9~~ The inquiry will be conducted independently of any LME personnel who may be involved in the subject of the complaint.

~~17. Where the LME considers that the complaint will not be investigated pursuant to this complaints procedure, it shall inform the complainant in writing as soon as reasonably practicable, and shall give reasons for its decision. The decision of the LME as to applicability of the complaints procedure shall be final, save in relation to matters relating to the heads of complaint in paragraph 1(a) above, where the complainant may ask for the matter to be referred to the Complaints Commissioner. The Complaints Commissioner may ask the Exchange to investigate the matter if he/she deems it appropriate.~~

~~18. 10~~ The LME will aim to complete its investigation within 3 months, or within such ~~further~~other period as the scope of the complaint would reasonably demand- taking into account (amongst other things) the circumstances of the complaint and the complexity of any investigation into it. Where the investigation is likely to take more than 3 months, the LME will inform the complainant in writing.

The Decision

~~19. 11~~ The LME will, insofar as it is consistent with applicable law, its duties in operating the Exchange and its duties of confidentiality to members or warehouses listed by the LME, advise the complainant and any other relevant parties, in writing and within a reasonable period of the ~~outcome~~conclusion of the LME's investigation, of the investigation's outcome, and in particular whether it considers that ~~there are good grounds for complaint against LME, its personnel, its members or warehouses listed by it, in relation to the business of the LME~~the complaint should be upheld, in part or in full. The LME will also advise the complainant of recommended action arising from the investigation of the complaint.

~~12 As a result of the LME Legal and/or Compliance Department's investigation, disciplinary proceedings may be instituted.~~

~~20. Except where specified below (Referral to Complaints Commissioner), the decision of the LME in the complaint shall be final.~~

~~21. In its decision in relation to a complaint under the heads of complaint in paragraph 1(c)-(e) above, the LME (acting reasonably in its sole discretion) may make the following recommendations (without limitation):~~

~~a. A recommendation as to apportionment of liability for the registration fee as between the complainant and any other party;~~



- b. A recommendation that any member or warehouse company, or any other party, who is the subject of an adverse finding shall use reasonable efforts to settle the matter with the complainant (but without prejudice to paragraph 24 below).
- 22. Where the LME concludes an investigation into a complaint under the head of complaint in paragraph 1(b) above, and identifies that a correction to an LME-administered benchmark is required, the LME reserves the right at its sole discretion to issue one or more notices notifying members and the market of the correction.
- 23. Where the LME's decision concludes that there has been a breach of relevant LME rules or requirements by a member or warehouse company, the LME may institute disciplinary proceedings against the member or warehouse company.
- 24. Where the complaint falls within heads (c)-(e) of paragraph 1 above, any decision by the LME shall not constitute a legally binding determination of the respective rights and obligations of the complainant and any respondent. If the complainant and any respondent remain in dispute, then it is a matter for them to pursue appropriate dispute resolution mechanisms independently of the LME. The LME shall have no responsibility for any failure by the parties to achieve settlement between them in relation to subject matter of the complaint, and any alleged failure to settle matters shall be specifically excluded from the scope of this complaints procedure.

Referral to Complaints Commissioner

Scope

- 25. The following types of complaint shall, following the LME's decision, be capable of referral to an independent Complaints Commissioner:
 - a. Complaints arising under paragraph 1(a) above, i.e. complaints in connection with the LME's performance of, or failure to perform, any of the LME's regulatory functions; and
 - b. Complaints arising under paragraph 1(b) above, i.e. complaints in relation to benchmarks administered by the LME.
- 26. For the avoidance of doubt, complaints arising under paragraphs 1(c)-(e) shall not be capable of referral to the Complaints Commissioner.

Referral

- 27. ~~13~~ If the complainant is dissatisfied with the investigation of the complaint or with the reported outcome of the investigation, he/she may request, by notice in writing to the LME, that the LME refer the complaint ~~is referred~~ to the LME's independent Complaints Commissioner. Such written notice must be sent to the LME within the following timescales:
 - a. Complaints arising under paragraph 1(a) above: on or before the date one (1) calendar month following receipt of the LME's written decision given pursuant to this complaints procedure;



- b. Complaints arising under paragraph 1(b) above: on or before the date six (6) calendar months following receipt of the LME's written decision given pursuant to this complaints procedure;
28. Failure by the complainant to make such notification to the LME within these time periods will result in the complaint ceasing to be capable of referral to the Complaints Commissioner. The complainant must explain in its written notification the reasons for referral to the Complaints Commissioner.

The Complaints Commissioner

29. The Complaints Commissioner shall be an individual with no current connection to the business of the LME. The Complaints Commissioner shall be appointed by the LME and notified to the market by LME notice. If at any time the appointed Complaints Commissioner is unable to consider a complaint due to a conflict of interest, illness or other unavoidable commitments, the LME may appoint an alternate. In the event that any complaint is ongoing at the time, the complainant shall be informed of any such appointment.

Process for Investigation by the Complaints Commissioner

30. The Complaints Commissioner shall send written acknowledgement of the referral of the complaint within 10 working days of receipt to the LME and the complainant. The Complaints Commissioner shall determine whether the referral is eligible to be referred to him/her in accordance with this complaints procedure. If the Complaints Commissioner determines at any time that a complaint he/she is investigating is ineligible, he/she must cease his/her investigation forthwith and give notice to the complainant(s) and the LME of his/her determination.
31. If the complaint is eligible for determination, the Complaints Commissioner shall investigate the referral in accordance with this complaints procedure. The Complaints Commissioner will aim to conclude his/her investigations within 3 months or within such other period as the scope of the complaint would reasonably demand taking into account (amongst other things) the circumstances of the complaint and the complexity of any investigation into it. Where the investigation is likely to take more than 3 months, the Complaints Commissioner will inform the LME and the complainant in writing.
32. ~~14 The LME's independent~~ In his/her conduct of the investigation, the Complaints Commissioner has the following powers:-
- (a) to call on all appropriate documentation from all involved parties to form a view on the complaint;
 - (b) to permit and/or request the complainant, any other parties to the complaint and the LME to provide written submissions in relation to any specific matters that arise;
 - (c) to make further requests of all relevant parties and/or take whatever action is considered appropriate which might assist in considering the complaint; and
 - (d) to conduct the consideration of the issues as is seen fit;
- ~~(e) to report on the result of his investigation to the LME, the complainant and any other parties to the complaint;~~



~~(f) if the original complaint or the referral to the Complaints Commissioner has arisen in connection with the performance of, or failure to perform any of the LME's regulatory functions, the Complaints Commissioner may make a recommendation, if appropriate, that the Exchange makes a compensatory payment to the complainant and/or remedies the matter complained of;~~

33. The Complaints Commissioner will ensure that, before he/she concludes an investigation and makes a report, any person who may be the subject of criticism in it is given notice of, and the opportunity to respond to, that criticism.

~~(g) to be able to publish his report (or any part of it) if he considers that it (or any part) ought to be brought to the attention of the public;~~

The Report

34. At the conclusion of his/her investigation, the Complaints Commissioner shall produce a report outlining his/her recommendations, together with reasons therefor. The report shall be sent to the LME and the complainant (and may also be sent to other interested parties, subject to the discretion of the Complaints Commissioner). The Complaints Commissioner must ensure that his/her report, apart from identifying the LME, does not mention the name of any other person or contain particulars which are likely to identify any other person unless: (i) in the opinion of the Complaints Commissioner the omission of such particulars would be likely to impair the effectiveness of the report; or (ii) taking into account the public interest and the persons involved, the Complaints Commissioner considers it necessary to mention the name of that person or to include in the report those particulars; or (iii) the consent of the person involved is given to such publication; or (iv) the information is otherwise already public knowledge.

35. In considering whether a complaint made against the LME under paragraph 1(a) only is justified, the Complaints Commissioner must consider whether the LME's conduct, in relation to its regulatory functions, amounted to, inter alia: (a) a failure to act fairly; (b) a failure to perform its regulatory functions having regard to all the circumstances of the case; (c) a lack of care or a mistake; or (d) an act of fraud, bad faith or negligence.

36. In relation only to complaints arising under paragraph 1(a) above, in his/her report, the Complaints Commissioner may make the following recommendations:

- a. that the LME takes remedial action including, but not limited to, offering an apology, taking steps to rectify the error or, if appropriate, the offer of a compensatory payment on an *ex gratia* basis, or a combination of the above;
- b. that the LME inform the Complaints Commissioner and the complainant of such steps which it proposes to take in response to the report; and
- c. that the LME publish the Complaints Commissioner's report (or any part thereof) if the Complaints Commissioner considers that such report should be brought to the attention of the public or members generally.

37. In relation only to complaints arising under paragraph 1(b) above, in his/her report, the Complaints Commissioner may make the following recommendations:



a. ~~(h) to require that~~ the LME ~~to~~ inform the Complaints Commissioner and the ~~parties to the complaint of the~~ complainant of such steps which it proposes to take in response to ~~his~~the report; and.

~~(i) if the original complaint or the referral to the Complaints Commissioner has arisen in connection with the performance of, or failure to perform any of the LME's regulatory functions, the Complaints Commissioner may require the LME to publish the whole or a specified part of its response to the Complaints Commissioner.~~

38. In relation to complaints arising under both paragraph 1(a) and 1(b) above, the LME shall consider carefully the recommendations of the Complaints Commissioner and may act upon such recommendations where it considers appropriate, but shall be under no obligation to do so. Where it does not act upon the recommendations of the Complaints Commissioner, it shall explain its reasons in writing to the Complaints Commissioner and the complainant.

39. The LME shall be responsible for payment of the costs of the Complaints Commissioner pursuant to this section.

Confidentiality

40. Without prejudice to paragraph 41 below, the and any complainant and, where relevant, the Complaints Commissioner must each observe the strict confidentiality of the complaint and the investigation of any complaint, all information provided (to the extent it has not been made public in the Complaints Commissioner's report) and all communications made for the purpose of the investigation, save that the LME and each party to the complaint may disclose any information (a) as required by law, (b) to any regulator responsible for regulating it, (c) to members of its corporate group, (d) to its legal or professional advisors, (e) to its insurers, or (f) where necessary for the discharge of the its obligations under applicable law.

41. Notwithstanding paragraph 40 above, the Exchange and/or the Complaints Commissioner may share with or without redaction any correspondence received from the complainant / respondent / other third party with the complainant / respondent / other third party where it believes it is appropriate to do so in order to facilitate its investigation of the complaint (for example, without limitation, the Exchange will share the letter of complaint with the respondent in order to permit the respondent to respond to the allegations made by the complainant).

Record Keeping

42. The LME shall retain all documents and materials relating to complaints in accordance with its internal record keeping procedures, and in any event for not less than five years.

Liability

43. Neither the LME nor any of its affiliates shall have any liability to any complainant or any third party for any loss (direct or otherwise) damage or injury arising from any act, omission or negligence on its part arising out of or in connection with this complaints procedure, save in



the case of fraud, death, personal injury or any other liability which by law cannot be excluded.

44. The Complaints Commissioner shall not be liable to the LME or any complainant or any third party for any loss (direct or otherwise) damage or injury arising from any act, omission or negligence on his/her part arising out of or in connection with this complaints procedure, save in the case of fraud, death, personal injury or any other liability which by law cannot be excluded.



Summary report: Litéra® Change-Pro 10.1.0.200 Document comparison done on 25/07/2019 13:27:58	
Style name: Default Style	
Intelligent Table Comparison: Active	
Original filename: Doc1.docx	
Modified filename: Doc2.docx	
Changes:	
<u>Add</u>	204
Delete	86
Move From	14
<u>Move To</u>	14
<u>Table Insert</u>	0
Table Delete	0
<u>Table moves to</u>	0
Table moves from	0
Embedded Graphics (Visio, ChemDraw, Images etc.)	1
Embedded Excel	0
Format changes	0
Total Changes:	319

The London Metal Exchange Complaints Procedure

Scope

1. The London Metal Exchange (the “**LME**” or “**Exchange**”) investigates complaints in relation to:-
 - (a) The performance by the LME of, or failure to perform, any of its regulatory functions¹;
 - (b) Benchmarks² administered by the LME³ (with the exception of complaints relating to the LBMA Platinum and Palladium Prices, which are excluded from this complaints procedure because they are handled under the complaints procedure set out in the LBMA Platinum and Palladium (“**LPP**”) Prices Regulations (“**LPP Regulations**”⁴) and third party-provided prices used by the LME to price LME contracts (which are excluded from this complaints procedure because they are determined by third parties);
 - (c) The compliance by LME members with the terms of the LME Rulebook as published by the LME from time to time, and any Administrative Procedures and/or Notices issued pursuant to such Rulebook (together, the “**LME Rules**”);
 - (d) The compliance by listed warehouses with the terms of the LME’s warehousing agreement and warehousing policies relevant to listed warehouses from time to time (“**LME Warehousing Rules**”) only where such compliance relates to: (i) the storage of LME metal on warrant, (ii) placing metal on LME warrant, and (iii) removing metal from LME warehouses; and
 - (e) Complaints in relation to the quality of LME warranted metal.
2. In order to be investigated under this complaints procedure, the complaint must fall within one of the relevant heads of complaint (a) – (e) as set out in paragraph 1 above. The LME shall be under no obligation to investigate any complaint which does fall within one of these heads of complaint or which otherwise does not comply with the requirements of this complaints procedure.
3. The LME may decline to investigate a complaint made under paragraph 1 where the LME considers in its sole discretion that:
 - a. the complaint is of a frivolous or vexatious nature or amounts to an abuse of process;
 - b. there has been unreasonable delay on the part of the complainant in bringing the complaint;
 - c. the complaint is connected with a contractual or commercial dispute and is not connected in any way with the LME’s regulatory functions; or
 - d. the complaint concerns:

¹ As a recognised investment exchange under the Financial Services and Markets Act 2000, the LME must put in place effective arrangements for the investigation and resolution of complaints arising in connection with the performance of, or failure to perform, any of its regulatory functions.

² As an Annex II “Commodity Benchmark” administrator under the European Benchmarks Regulation, the LME must have in place a complaints handling policy setting out procedures for receiving, investigating and retaining records concerning complaints made about an administrator’s calculation process.

³ A full list of the benchmarks administered by the LME is set out on the LME website at <https://www.lme.com/en-GB/About/Regulation/European-Benchmarks-Regulation>, as amended from time to time.

⁴ <https://www.lme.com/Metals/Precious-metals/LBMA-pricing-governance>

- i. the LME's relationship with its employees;
 - ii. the content of the LME Rules or the LME Warehousing Rules; or
 - iii. a decision against which the complainant has the right to appeal against disciplinary procedures under the LME Rulebook or the LME Warehousing Rules.
- 4. In addition to the grounds set out in paragraph 3, the LME may decline to investigate a complaint made under paragraph 1(c)-(e) where the LME considers in its sole discretion that a more appropriate dispute resolution forum exists⁵.
- 5. The LME shall not be prevented from continuing to take such action, or further action, as it considers appropriate during the investigation by the LME or the Complaints Commissioner in relation to any matter which is related to a complaint or complainant.

Registering a Complaint

All Complaints

- 6. The complaint must be made in writing. In the event that it is made by a company, it should be signed by a director or equivalent officer.
- 7. The complaint should include sufficient information to allow the LME to (a) identify the relevant heads of complaint in accordance with paragraph 1 above, (b) properly identify the matter to which the complaint relates, and (c) (if relevant) establish the basis for any alleged loss or other detriment suffered by the complainant. See also paragraph 13 below in respect of complaints under head (e). If insufficient information is provided, the LME may request further information. Where a complaint is made against more than one participant (for example, complaints against two members, or the LME and a member) separate complaints should be made against each participant, although reference may be made to background material provided with the other complaint.
- 8. The complaint must be sent either by post to:-

The Complaints Officer
The London Metal Exchange
10 Finsbury Square
London
EC2A 1AJ

Or by email to:-

complaints@lme.com

Marked "Complaint"

⁵ This complaints procedure is not intended to be a private dispute resolution service for disputes between commercial counterparties.

Registration Fee for Certain Complaints

9. Where the complaint falls within heads (c)-(e) of paragraph 1 above, the LME may require the complainant to pay a registration fee in order to cover the costs of the LME (and any external advisors it chooses to instruct) in investigating the complaint. The costs of the LME shall include the time cost of LME staff spent investigating the complaint. The registration fee is not intended to be profit-making for the LME, but solely to cover its costs.
10. On receipt of a complaint falling within heads (c)-(e) of paragraph 1 above, the LME shall assess the likely costs which it reasonably believes it will incur during the investigation of the complaint. Such cost figure shall constitute the amount of the registration fee payable. The LME shall inform the complainant in writing of the amount of the registration fee payable and give instructions for how to make payment. Any timescales for investigation of the complaint shall only start to run from receipt of the registration fee by the LME. The LME shall be under no obligation to investigate the complaint in the event that the complainant fails to make any payment required.
11. In the event that the LME's costs exceed the amount of the registration fee, the LME shall be responsible for any such costs, and may not call for any further sums from the complainant. In the event that the LME's costs are less than the registration fee, it shall return any unused sums to the complainant within three months following the decision. The LME shall be under no obligation to account to the complainant or any other person for the time of its staff or external advisors.
12. In the event that the complainant's complaint is upheld, the LME may apportion some / all liability for payment of the registration fee to the respondent (see below).

Complaints in relation to Metal Quality

13. For complaints in relation to the quality of LME warranted metal under paragraph 1(e) above, the complainant must provide certain additional information as follows: (a) a chemical analysis certificate, (b) the brand name(s) of production, (c) the lot/batch numbers of metal, (d) the quantity of metal, (e) the name and address of the LME listed warehouse company that had taken delivery of the metal that is the subject of the complaint, (f) the relevant warrant numbers, (g) if applicable, supporting documentation accompanying delivery (i.e. certificates of analysis/conformity). The chemical analysis certificate(s) supporting a complaint referred to at (a) above must be issued by a LME listed sampler and assayer ("**LSA**"). The complainant must instruct a LME listed sampler and assayer to carry out sampling and assaying procedures in accordance with the LME's instructions to LSA's. These instructions refer to LSA's requirement to undertake sampling and assaying work in respect to "Brand Listing of Metals and Assay Certificates for Metals the Subject of LME Metals Contracts". Costs incurred must be borne by the complainant (and shall be in addition to any amount payable to the LME by way of registration fee as contemplated above).

Conduct of the Investigation of the Complaint

14. All complaints received by the LME shall be recorded in a centralised complaints register maintained by the LME Legal Department. In relation to a complaint that relates to an LME benchmark, the LME Pricing & Valuations Committee shall also be notified.

15. The LME shall acknowledge the complaint in writing as soon as reasonably practicable. The Legal Department shall consider whether any registration fee is due (see above) and confirm this in writing to the complainant as soon as reasonably practicable. The complaint will be investigated in a timely and fair manner by the LME Legal Department who may act in conjunction with other LME departments as appropriate. The investigation may involve other staff at the LME or outside professional assistance as appropriate.
16. The inquiry will be conducted independently of any LME personnel who may be involved in the subject of the complaint.
17. Where the LME considers that the complaint will not be investigated pursuant to this complaints procedure, it shall inform the complainant in writing as soon as reasonably practicable, and shall give reasons for its decision. The decision of the LME as to applicability of the complaints procedure shall be final, save in relation to matters relating to the heads of complaint in paragraph 1(a) above, where the complainant may ask for the matter to be referred to the Complaints Commissioner. The Complaints Commissioner may ask the Exchange to investigate the matter if he/she deems it appropriate.
18. The LME will aim to complete its investigation within 3 months, or within such other period as the scope of the complaint would reasonably demand taking into account (amongst other things) the circumstances of the complaint and the complexity of any investigation into it. Where the investigation is likely to take more than 3 months, the LME will inform the complainant in writing.

The Decision

19. The LME will, insofar as it is consistent with applicable law, its duties in operating the Exchange and its duties of confidentiality to members or warehouses listed by the LME, advise the complainant and any other relevant parties, in writing and within a reasonable period of the conclusion of the LME's investigation, of the investigation's outcome, and in particular whether it considers that the complaint should be upheld, in part or in full. The LME will also advise the complainant of recommended action arising from the investigation of the complaint.
20. Except where specified below (Referral to Complaints Commissioner), the decision of the LME in the complaint shall be final.
21. In its decision in relation to a complaint under the heads of complaint in paragraph 1(c)-(e) above, the LME (acting reasonably in its sole discretion) may make the following recommendations (without limitation):
 - a. A recommendation as to apportionment of liability for the registration fee as between the complainant and any other party;
 - b. A recommendation that any member or warehouse company, or any other party, who is the subject of an adverse finding shall use reasonable efforts to settle the matter with the complainant (but without prejudice to paragraph 24 below).
22. Where the LME concludes an investigation into a complaint under the head of complaint in paragraph 1(b) above, and identifies that a correction to an LME-administered benchmark is required, the LME reserves the right at its sole discretion to issue one or more notices notifying members and the market of the correction.

23. Where the LME's decision concludes that there has been a breach of relevant LME rules or requirements by a member or warehouse company, the LME may institute disciplinary proceedings against the member or warehouse company.
24. Where the complaint falls within heads (c)-(e) of paragraph 1 above, any decision by the LME shall not constitute a legally binding determination of the respective rights and obligations of the complainant and any respondent. If the complainant and any respondent remain in dispute, then it is a matter for them to pursue appropriate dispute resolution mechanisms independently of the LME. The LME shall have no responsibility for any failure by the parties to achieve settlement between them in relation to subject matter of the complaint, and any alleged failure to settle matters shall be specifically excluded from the scope of this complaints procedure.

Referral to Complaints Commissioner

Scope

25. The following types of complaint shall, following the LME's decision, be capable of referral to an independent Complaints Commissioner:
- a. Complaints arising under paragraph 1(a) above, i.e. complaints in connection with the LME's performance of, or failure to perform, any of the LME's regulatory functions; and
 - b. Complaints arising under paragraph 1(b) above, i.e. complaints in relation to benchmarks administered by the LME.
26. For the avoidance of doubt, complaints arising under paragraphs 1(c)-(e) shall not be capable of referral to the Complaints Commissioner.

Referral

27. If the complainant is dissatisfied with the investigation of the complaint or with the reported outcome of the investigation, he/she may request, by notice in writing to the LME, that the LME refer the complaint to the LME's independent Complaints Commissioner. Such written notice must be sent to the LME within the following timescales:
- a. Complaints arising under paragraph 1(a) above: on or before the date one (1) calendar month following receipt of the LME's written decision given pursuant to this complaints procedure;
 - b. Complaints arising under paragraph 1(b) above: on or before the date six (6) calendar months following receipt of the LME's written decision given pursuant to this complaints procedure;
28. Failure by the complainant to make such notification to the LME within these time periods will result in the complaint ceasing to be capable of referral to the Complaints Commissioner. The complainant must explain in its written notification the reasons for referral to the Complaints Commissioner.

The Complaints Commissioner

29. The Complaints Commissioner shall be an individual with no current connection to the business of the LME. The Complaints Commissioner shall be appointed by the LME and notified to the market by LME notice. If at any time the appointed Complaints Commissioner is unable to consider a complaint due to a conflict of interest, illness or other unavoidable commitments, the LME may appoint an alternate. In the event that any complaint is ongoing at the time, the complainant shall be informed of any such appointment.

Process for Investigation by the Complaints Commissioner

30. The Complaints Commissioner shall send written acknowledgement of the referral of the complaint within 10 working days of receipt to the LME and the complainant. The Complaints Commissioner shall determine whether the referral is eligible to be referred to him/her in accordance with this complaints procedure. If the Complaints Commissioner determines at any time that a complaint he/she is investigating is ineligible, he/she must cease his/her investigation forthwith and give notice to the complainant(s) and the LME of his/her determination.
31. If the complaint is eligible for determination, the Complaints Commissioner shall investigate the referral in accordance with this complaints procedure. The Complaints Commissioner will aim to conclude his/her investigations within 3 months or within such other period as the scope of the complaint would reasonably demand taking into account (amongst other things) the circumstances of the complaint and the complexity of any investigation into it. Where the investigation is likely to take more than 3 months, the Complaints Commissioner will inform the LME and the complainant in writing.
32. In his/her conduct of the investigation, the Complaints Commissioner has the following powers:-
- (a) to call on all appropriate documentation from all involved parties to form a view on the complaint;
 - (b) to permit and/or request the complainant, any other parties to the complaint and the LME to provide written submissions in relation to any specific matters that arise;
 - (c) to make further requests of all relevant parties and/or take whatever action is considered appropriate which might assist in considering the complaint; and
 - (d) to conduct the consideration of the issues as is seen fit.
33. The Complaints Commissioner will ensure that, before he/she concludes an investigation and makes a report, any person who may be the subject of criticism in it is given notice of, and the opportunity to respond to, that criticism.

The Report

34. At the conclusion of his/her investigation, the Complaints Commissioner shall produce a report outlining his/her recommendations, together with reasons therefor. The report shall be sent to the LME and the complainant (and may also be sent to other interested parties, subject to the discretion of the Complaints Commissioner). The Complaints Commissioner must ensure that his/her report, apart from identifying the LME, does not mention the name of any other person or contain particulars which are likely to identify any other person unless: (i) in the opinion of the Complaints Commissioner the omission of such particulars would be

likely to impair the effectiveness of the report; or (ii) taking into account the public interest and the persons involved, the Complaints Commissioner considers it necessary to mention the name of that person or to include in the report those particulars; or (iii) the consent of the person involved is given to such publication; or (iv) the information is otherwise already public knowledge.

35. In considering whether a complaint made against the LME under paragraph 1(a) only is justified, the Complaints Commissioner must consider whether the LME's conduct, in relation to its regulatory functions, amounted to, inter alia: (a) a failure to act fairly; (b) a failure to perform its regulatory functions having regard to all the circumstances of the case; (c) a lack of care or a mistake; or (d) an act of fraud, bad faith or negligence.
36. In relation only to complaints arising under paragraph 1(a) above, in his/her report, the Complaints Commissioner may make the following recommendations:
- a. that the LME takes remedial action including, but not limited to, offering an apology, taking steps to rectify the error or, if appropriate, the offer of a compensatory payment on an *ex gratia* basis, or a combination of the above;
 - b. that the LME inform the Complaints Commissioner and the complainant of such steps which it proposes to take in response to the report; and
 - c. that the LME publish the Complaints Commissioner's report (or any part thereof) if the Complaints Commissioner considers that such report should be brought to the attention of the public or members generally.
37. In relation only to complaints arising under paragraph 1(b) above, in his/her report, the Complaints Commissioner may make the following recommendations:
- a. that the LME inform the Complaints Commissioner and the complainant of such steps which it proposes to take in response to the report.
38. In relation to complaints arising under both paragraph 1(a) and 1(b) above, the LME shall consider carefully the recommendations of the Complaints Commissioner and may act upon such recommendations where it considers appropriate, but shall be under no obligation to do so. Where it does not act upon the recommendations of the Complaints Commissioner, it shall explain its reasons in writing to the Complaints Commissioner and the complainant.
39. The LME shall be responsible for payment of the costs of the Complaints Commissioner pursuant to this section.

Confidentiality

40. Without prejudice to paragraph 41 below, the and any complainant and, where relevant, the Complaints Commissioner must each observe the strict confidentiality of the complaint and the investigation of any complaint, all information provided (to the extent it has not been made public in the Complaints Commissioner's report) and all communications made for the purpose of the investigation, save that the LME and each party to the complaint may disclose any information (a) as required by law, (b) to any regulator responsible for regulating it, (c) to members of its corporate group, (d) to its legal or professional advisors, (e) to its insurers, or (f) where necessary for the discharge of its obligations under applicable law.
41. Notwithstanding paragraph 40 above, the Exchange and/or the Complaints Commissioner may share with or without redaction any correspondence received from the complainant /

respondent / other third party with the complainant / respondent / other third party where it believes it is appropriate to do so in order to facilitate its investigation of the complaint (for example, without limitation, the Exchange will share the letter of complaint with the respondent in order to permit the respondent to respond to the allegations made by the complainant).

Record Keeping

42. The LME shall retain all documents and materials relating to complaints in accordance with its internal record keeping procedures, and in any event for not less than five years.

Liability

43. Neither the LME nor any of its affiliates shall have any liability to any complainant or any third party for any loss (direct or otherwise) damage or injury arising from any act, omission or negligence on its part arising out of or in connection with this complaints procedure, save in the case of fraud, death, personal injury or any other liability which by law cannot be excluded.
44. The Complaints Commissioner shall not be liable to the LME or any complainant or any third party for any loss (direct or otherwise) damage or injury arising from any act, omission or negligence on his/her part arising out of or in connection with this complaints procedure, save in the case of fraud, death, personal injury or any other liability which by law cannot be excluded.