

## LME Guidance Note: Reporting of Off-Warrant Stock – 30 June 2020

### Introduction

1. From 1 February 2020 Warehouses are required to report quantities of metal subject to LME Off-Warrant Storage Agreement(s) pursuant to clause 6.3.4 (the “**Off Warrant Stock Reporting Requirements**”) of the terms and conditions of the warehouse agreement between the LME and each LME-listed warehouse company (the “**Warehouse Agreement**”).
2. This Guidance Note provides Warehouses with guidance as to how to comply with the Off Warrant Stock Reporting Requirements. This Guidance Note also provides metal owners with guidance as to how a Warehouse would be obliged to report metal subject to a LME Off-Warrant Storage Agreement. This Guidance Note may be amended from time to time.
3. Terms not defined in this Guidance Note have the meaning given to them in the Warehouse Agreement. For the avoidance of doubt the words “**currently located**” in clause 6.3.4(iii)(a) of the Warehouse Agreement means located on the Relevant Reporting Date (as defined in this Guidance Note).

### Form for Reporting – Template Forms A and B.

4. Supplemental to this document are the following two templates to be used for reporting the relevant quantities of metal to the LME pursuant to the Off-Warrant Stock Reporting Requirements:
  - (a) Template Form A “GDL Off Warrant Stock Reporting” (“**Template Form A**”); and
  - (b) Template Form B “Non-GDL Off Warrant Stock Reporting” (“**Template Form B**”)

together, the “Template Forms”.

### Guidance

#### *General*

5. In order to comply with the Off Warrant Stock Reporting Requirements:
  - (a) Warehouses do not need to establish the eligibility or suitability of the metal to be put on Warrant;



- (b) 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 LME any reasonable suspicion as to disparity between metal owner's characterisation of the metal and the metal inspected by the Warehouse;
- (c) The Off Warrant Reporting Requirements do not apply to metal on LME warrant (whether live or cancelled); and
- (d) Warehouses are not required to provide details of metal owners, or of the economic terms on which the metal is stored off-warrant when making submissions pursuant to the Off Warrant Reporting Requirements. However the LME reserves its rights to request such information from its Warehouses as is necessary in order to comply with its regulatory obligations and in accordance with the Warehouse Agreement.

#### *Reportable Information*

6. Warehouses should note that pursuant to the Off Warrant Stock Reporting Requirements, when assessing which metal to report to the LME, the obligation to report metal subject to LME Off-Warrant Storage Agreements is the metal which is "*...held by the Warehouse on the final day of the preceding calendar month...*". The metal would only be reported by the Warehouse if the metal was held by that Warehouse on the final day of the preceding calendar month (the "**Relevant Reporting Date**") and if at any point during the preceding calendar month it was also subject to an LME Off-Warrant Storage Agreement. However, an exception applies under clause 6.3.4(iv) of the Warehouse Agreement, which imposes an additional reporting requirement in respect of metal stored by a third party where, on the Relevant Reporting Date, there was an LME Warranting Agreement in place with the Warehouse which met the requirements contained within clause 6.3.4(iv) of the Warehouse Agreement.
7. Accordingly, when completing Template Forms A and B as explained below, Warehouses should note that it is not possible for metal to be reported at the same time as both:
  - (a) metal that is held by the Warehouse and subject to an LME Warranting Agreement; and
  - (b) metal that is held by a third party (and not the Warehouse itself), but subject to an LME Warranting Agreement falling within clause 6.3.4(iv) of the Warehouse Agreement.



### *Reporting Obligations Apply Separately to each Warehouse*

8. The LME is aware that Warehouses may have:
  - (a) other Warehouses within their group; and
  - (b) non-listed warehouse companies (“**Non-LME Group Warehouse**”).

Warehouses should note that the Off Warrant Stock Reporting Requirements are separately applicable to each Warehouse and must not be submitted on a group basis (i.e. multiple Warehouses within the same corporate group cannot collate their data and produce one submission, they must each report separately).

9. Each Warehouse must submit separately for:
  - (a) each GDL (where relevant); and
  - (b) its non-GDL metal.
10. It is possible that metal currently stored with a Non-LME Group Warehouse may be subject to clause 6.3.4(iv) of the Warehouse Agreement and that the “third party facility” in clause 6.3.4(iv) of the Warehouse Agreement is the Non-LME Group Warehouse. However, if that metal is subject to an LME Warranting Agreement with a Warehouse in accordance with clause 6.3.4(iv) of the Warehouse Agreement, that Warehouse should report the metal as such.
11. To the extent that a Warehouse is in a group with other Warehouses (or indeed any Non-LME Group Warehouses) and has questions about how to report metal subject to the Off Warrant Stock Reporting Requirements, the Warehouse should contact the LME to discuss its reports prior to their submission.

For example, in the event that a particular parcel of metal be technically reportable to the LME by one or more Warehouses in that corporate group, the Warehouses should speak with the LME to discuss which Warehouse in their corporate group should report that parcel of metal to the LME.

### *Transparency*

12. The Off Warrant Stock Reporting Requirements are intended to provide the LME with greater stock transparency in order to support its regulatory obligation to maintain an orderly market. When compiling and submitting reports pursuant to the Off Warrant Stock Reporting Requirements, the LME expects Warehouses



to do so: (i) with the spirit of transparency, co-operation and full disclosure; and (ii) in accordance with the obligations in the Warehouse Agreement which support the Off Warrant Stock Reporting Requirements, including but not limited to clauses 11.1, 11.2, 11.3, 11.8 and 11.11. In order to comply with clause 11.11 of the Warehouse Agreement, the LME expects Warehouses to advise the LME of any attempts by or suggestions from any party to circumvent the Off Warrant Stock Reporting Requirements or to distort the figures to be submitted to the LME in accordance with the Off Warrant Stock Reporting Requirements.

13. One example of an attempt to circumvent the Off Warrant Stock Reporting Requirements or to distort the figures to be submitted to the LME in accordance with the Off Warrant Stock Reporting Requirements may involve a Warehouse or metal owner moving metal prior to the Relevant Reporting Date in order to avoid including the relevant metal in the following month's report to the LME.
14. The LME encourages Warehouses to engage with the LME in order to discuss any questions they may have in relation to the Off Warrant Stock Reporting Requirements and the Warehouse Agreement in general.

#### *Template Form A for GDL*

15. Template Form A should be used by Warehouses to report all relevant metal which on the Relevant Reporting Date:
  - (a) is subject to an LME Off-Warrant Storage Agreement and is currently located within a GDL; or
  - (b) is metal subject to clause 6.3.4(iv) of the Warehouse Agreement. The metal reported under this row in Form A is metal for which the Warehouse knows the third party facility it is stored in, being a facility which is within the GDL listed in the relevant tab of Form A.

**"GDL"** for the purposes of this Guidance Note means an area which is within a 10 mile radius of any LME-registered shed in a LME Good Delivery Location.

16. Warehouses must submit a separate Template Form A for each GDL in which they have relevant metal to report pursuant to the Off Warrant Stock Reporting Requirements, whether that Warehouse has LME-registered sheds in that GDL or not. Warehouses must also report on the basis of the three categories that are outlined in clause 6.3.1 of the Warehouse Agreement (namely the LME Off-Warrant Storage Agreements), and additionally any metal subject to clause 6.3.4(iv) of the Warehouse Agreement.



17. It is possible that some metal will fit into more than one of the categories of LME Off-Warrant Storage Agreements. Examples include metal which could fit in the LME Facility Storage Agreement and LME Voluntary Agreement categories or metal which could fit in the LME Voluntary Agreement and LME Warranting Agreement categories. In this scenario Warehouses should include the relevant tonnage of metal in each of the relevant “squares” in the Template Form A, but in the “Total” field in the last row, must only report the relevant tonnage once as per the following example:

- (a) 50mt of copper is stored under both an LME Facility Storage Agreement and an LME Warranting Agreement at a GDL. In this scenario the Warehouse should report the 50mt under both categories. However, for the purposes of the copper total field and the grand total field this should be reported as 50mt only.

In addition, where any warehouse company has reported metal under and LME Voluntary Agreement they should also complete the additional total tonnage which excludes metal reported under this category.

#### *Template Form B for Non-GDL*

18. Template Form B must be used by Warehouses to report all relevant metal in any area or location situated more than a 10 mile radius from any LME-registered shed in a LME Good Delivery Location (“**non-GDL**”) or where the third party facility location of metal subject to clause 6.3.4(iv) of the Warehouse Agreement is unknown.

19. Accordingly, Template Form B will need to be completed separately by each Warehouse and relates to all relevant metal which on the Relevant Reporting Date is subject to:

- (a) either an LME Voluntary Reporting Agreement or an LME Warranting Agreement and is non-GDL. If metal falls under both categories this again should be reported in accordance with the procedure as outlined in paragraph 17(a) above; or
- (b) clause 6.3.4(iv) of the Warehouse Agreement and either: (i) the Warehouse does not know the location of the third party facility where the metal is currently being stored; or (ii) the Warehouse does know the location of the third party facility where the metal is currently being stored and that location is non-GDL.



20. For the avoidance of doubt, any metal stored within a location which has been approved by the LME as a Delivery Point but which has no LME-registered sheds (as described in paragraph C2 of the Policy on the Approval of Location as Delivery Points) shall be reported as non-GDL metal in Template Form B.

#### *Other Category in Template Forms*

21. Concerning the “Other” category in the Template Forms, any metal that is not or is not believed to be LME warrantable but is subject to either an LME Facility Storage Agreement or LME Voluntary Reporting Agreement must be reported under the “Other” field in each Template Form. For the avoidance of doubt this is not limited to LME warrantable metals but any metal, e.g. magnesium.

#### **Timing for Submissions**

22. The Template Forms must be submitted by each Warehouse to the LME on or before the tenth calendar day of each calendar month. The Template Forms must include information indicating the quantity of metal held by the Warehouse on the Relevant Reporting Date 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.
23. The first submissions of the Template Forms made pursuant to clause 6.3.4(iii) of the Warehouse Agreement must be submitted to the LME on or before 10 March 2020 and relate to data as at 29 February 2020.

#### **Contacts**

24. Any questions regarding this Guidance Note, the Template Forms or the Off Warrant Stock Reporting Requirements should be directed to the LME Physical Operations Department at: [operations@lme.com](mailto:operations@lme.com).