

**LME POLICY ON THE APPROVAL AND OPERATION OF WAREHOUSES,
REVISED MARCH 2026**

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.

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 E3 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. 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.

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, or in the intervening month between the end of the Calculation Period and the start of 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

1. 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.
2. 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.
 - (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

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.

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.



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.
3. 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 LILO 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).
 - (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).

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



- (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.
4. 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).
5. 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 LIFO Rule. The LME will be monitoring the operation of the QBRC Threshold and reserves its right to exercise its discretion under paragraph G7.



6. 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.

7. 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 3 July 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 15 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 15 October 2020) will be 18 May 2020.
8. 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.
9. 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 this policy

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.