



To: All members, warehouse companies and their London agents

Ref: 22/239

Classification: Warehousing

Date: 5 October 2022

Subject: **WARRANTING OF URAL MINING AND METALLURGICAL COMPANY AND JOINT STOCK COMPANY CHELYABINSK METALS IN LME WAREHOUSES**

Summary

1. This Notice updates the market on the Russia-related sanctions imposed on Iskander Kakhramonovich Makhmudov by the UK government on 26 September 2022 (the “**Sanctions**”) pursuant to the Russia (Sanctions) (EU Exit) Regulations 2019 and the LME’s position in respect of metal produced by Ural Mining and Metallurgical Company (“**UMMC**”), and its subsidiary Joint Stock Company Chelyabinsk Zinc Plant (“**Chelyabinsk**”) being listed on the LME following the Sanctions.
2. This Notice further announces a decision of the Special Committee, pursuant to its powers under Regulation 17 of Part 3 of the LME Rulebook, to introduce with immediate effect, and as at the date of this Notice, a temporary imposition of conditions on placing UMMC and Chelyabinsk branded metals on warrant such that the UMMC or Chelyabinsk branded metals shall only be capable of being placed on warrant if the metal owner can demonstrate to the satisfaction of the LME that placing UMMC or Chelyabinsk branded metal on warrant will not constitute a breach of the Sanctions. The temporary imposition of conditions shall continue until further notice. The LME will continue to engage with stakeholders and keep the decision of the Special Committee in respect of UMMC and Chelyabinsk branded metal under review.

Defined Terms

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

Background

4. The LME’s understanding of the Sanctions announced by the UK government on 26 September 2022 in respect of Mr Makhmudov and how the Sanctions affect UMMC and Chelyabinsk is set out below. This Notice sets out the LME’s understanding of the law on which its decisions are based. This Notice does not constitute legal advice or guidance and should not be relied upon or used in this way by any person.
5. As a result of the Sanctions, Mr Makhmudov is now subject to asset freeze measures in the UK. Asset freeze measures in the UK prohibit persons or entities from undertaking the following activities (unless an exception or General License applies):
 - (a) dealing with the funds or economic resources belonging to, owned, held or controlled by a sanctioned person or entity;



- (b) making funds or economic resources available, directly or indirectly, to or for the benefit of a sanctioned person or entity; and/or
 - (c) engaging in actions that, directly or indirectly, circumvent the financial sanctions prohibitions.
6. In accordance with UK sanctions law, asset freeze measures extend to entities which are owned or controlled, directly or indirectly, by a person subject to sanctions. The LME understands, through publicly available information, that through a corporate structure Mr Makhmudov majority owns the holding company which in turn majority owns the holding company which owns more than a 50% share in UMMC. Mr Makhmudov is also the President of UMMC,¹ UMMC in turn has a 97.78% shareholding in Chelyabinsk. UMMC is an LME listed producer of the copper brands listed in appendix 1 and Chelyabinsk is an LME listed producer of the zinc brand listed in appendix 1. The brands listed in appendix 1 shall be referred to in this Notice as the "**Affected Brands**".
7. All persons, including legal entities, who undertake activities within the UK or are established under UK law must comply with UK financial sanctions; this includes the LME. The LME is therefore required to comply with any asset freeze measures which impact an LME listed brand.
8. The LME notes that in the UK government's statement of reasons for designating Mr Makhmudov as subject to the Sanctions it stated that Mr Makhmudov "*has been involved in obtaining a benefit from or supporting the Government of Russia through owning or controlling directly or indirectly Ural Mining and Metallurgical Company (UMMC), an entity carrying on business in the Russian extractives sector, a sector of strategic significance to the Government of Russia.*" Based upon the aforementioned statement of reasons, the LME understands that the UK government are of the view that Mr Makhmudov owns or controls UMMC directly or indirectly. Further, the LME understands that Chelyabinsk is also subject to the Sanctions on the basis that UMMC majority owns Chelyabinsk, and therefore meets the condition around sanctions extending to subsidiaries that are owned or controlled by sanctioned individuals or entities, as outlined in paragraph 6 above.
9. In respect of warrants of UMMC or Chelyabinsk branded metals, the LME is of the view that any LME warrants in which UMMC or Chelyabinsk still retain ownership and/or other economic interests will be subject to asset freeze measures, and that any dealings with such warrants by the LME, its Members and third parties would constitute a breach of the Sanctions, as outlined in paragraph 5 above. At the date of this Notice, there is no zinc produced by Chelyabinsk in LME listed warehouses and therefore the existing stock of zinc on warrant will not be impacted by the Sanctions. In respect of copper produced by UMMC, the LME understands that UMMC does not retain any ownership and/or other economic interests in any metal that it produced, which is currently on warrant. As such, the metal produced by UMMC which is currently on warrant on the LME is not therefore subject to the Sanctions, and as a result the LME is not introducing measures in respect of the metal produced by UMMC that is already on warrant.

Temporary Imposition of Conditions

10. Acting in accordance with its powers under Regulation 17 of Part 3 of the LME Rules, the Special Committee has determined that, effective from the date of this Notice:
- (a) any metal owner wishing to place onto warrant any metal produced by an Affected Brand may only do so where the metal owner can demonstrate to the LME's satisfaction that: (i) the metal was sold by UMMC or Chelyabinsk prior to 26 September 2022 (the date of Mr Makhmudov's designation); (ii) since this time UMMC or Chelyabinsk has had no right of ownership and/or other economic interests

¹ Mr Makhmudov has a 80% stake in Mineral Power Limited which in turn has a 58.82% stake in Selmareco Limited, with Selmareco Limited having a 85% stake in UMMC.



in respect of the metal and (iii) and neither UMMC nor Chelyabinsk will contribute or receive funds, goods or services in connection with any dealings in the metal; and

- (b) a warehouse company can only accept onto warrant any metal produced by an Affected Brand, once it has received confirmation from the LME that it is satisfied that the conditions below have been met.

The process for demonstrating to the LME that UMMC or Chelyabinsk does not have any ongoing ownership rights and/or other economic interests in the metal is outlined at paragraphs 11 and 12 below and will come into effect from the date of this Notice.

11. In order for a metal owner to place onto warrant any metal produced by an Affected Brand, the metal owner must provide evidence to the LME that, as of 26 September 2022, UMMC or Chelyabinsk does not own or have any legal or other economic interests in relation to the metal. Examples of what information the LME may request to satisfy itself that the relevant conditions have been met are set out in the table below.

Condition	Example of evidence from the metal owner
(a) such dealings do not involve UMMC or Chelyabinsk directly or indirectly;	LME checks on metal owners and confirmation from such metal owners that UMMC or Chelyabinsk have not been involved in dealings related to the metal since 26 September 2022. The LME may also request such information as it considers necessary (e.g. purchase agreements).
(b) the metal was produced and supplied to the metal owner by UMMC or Chelyabinsk prior to 26 September 2022, and that UMMC or Chelyabinsk have not had any property interest in the metal after this date; and	Certificate of analysis in respect of zinc (noting that certificates of analysis are not available in relation to copper) and evidence of ownership transactions in respect of all relevant metal. The LME will also require confirmation from the metal owner that the metal was produced and sold prior to 26 September 2022 and that UMMC or Chelyabinsk have not had any property or other economic interest in the metal after this date.
(c) neither UMMC nor Chelyabinsk have contributed or received funds, goods or services in connection with any dealings in the metal.	LME checks on metal owners and confirmation from such metal owners that UMMC or Chelyabinsk have not contributed or received funds in respect of the metal since 26 September 2022.

12. In order for the LME to provide confirmation to a metal owner that metal produced by an Affected Brand may be placed on warrant, the metal owner will need to follow the procedure below to demonstrate to the LME that UMMC or Chelyabinsk do not have any ownership rights or any other economic interest in respect of the metal:

- (a) A director or officer of the metal owner's company must sign a letter in the same form and content as the template letter attached at appendix 2;
- (b) The metal owner must complete the spreadsheet attached at appendix 3; and
- (c) All information sent to the LME and all relevant correspondence must be sent to the following email address: metalwarranting@lme.com.



13. Once the LME has received this information, it will undertake one of the following: (a) provide written confirmation that the conditions for warranting have been satisfied; (b) request further information from the metal owner as outlined in paragraph 16 below; or (c) refuse to allow the metal owner to place the metal on warrant due to a concern that there is a risk of Sanctions infringement, subject to the metal owner providing further information to the LME which addresses the LME's concerns.
14. In the event that the LME provides written confirmation to the metal owner that it approves the metal being placed on warrant (as discussed in paragraph 13 above), the metal owner should provide the warehouse company with this written confirmation as part of the warranting instructions. Warehouse companies can only accept onto warrant any metal produced by the Affected Brands where they have received the LME's confirmation that it is appropriate to do so.
15. The LME will aim to process warranting requests as soon as reasonably practical. However, please note that the approval procedure may take time and any metal owner wishing to place onto warrant any metal of any Affected Brand should contact the LME as soon as possible.
16. The LME may request any other information from the metal owner or other parties as it considers necessary, in its absolute discretion, in order to be satisfied that UMMC or Chelyabinsk has not had any ownership and/or economic interests in the metal since 26 September 2022; and the LME shall be entitled to rely on the information provided by such parties. The LME shall not be liable for any loss or circumstance which a metal owner or any other party may incur or suffer as a consequence of the temporary imposition of conditions, including but not limited to any delay in putting the metal on warrant whilst the requisite information is collated and provided to the LME, or any action brought by any regulatory authority as a result of a party's dealings in LME warranted metal.
17. The conditions for warranting Affected Brands shall continue until further notice. The aim of the temporary conditions is to ensure full compliance with applicable UK sanctions. The LME will update the market further in due course when appropriate. In the event that there are any relevant updates, such as significant changes to UMMC or Chelyabinsk's ownership structure, the LME may re-assess the application of the Sanctions.
18. Members are also reminded of their obligations under Regulation 12.6(g) of Part 2 of the LME Rulebook to ensure that any business by or through them does not breach any sanctions or would cause the LME or LME Clear to be in breach of sanctions.

Matthew Chamberlain
Chief Executive Officer – London Metal Exchange

cc: Board directors
All Committees



Appendix 1

Copper

BRAND	PRODUCER
UMMC	JSC Uralektromed
UMMC II	JSC Uralektromed

Zinc

BRAND	PRODUCER
CZP SHG	Joint Stock Company Chelyabinsk Zinc Plant



Appendix 2 – Template Letter to the LME



London Metal Exchange
10 Finsbury Square
London
EC2A 1AJ

By email only (metalwarranting@lme.com)

[DATE]

Dear Sir/ Madam

UMMC and Chelyabinsk Brands: Request to Warrant Metal

1. We write in relation to LME Notice 22/239 regarding the issuance of sanctions by the UK government on 26 September 2022 in respect of Iskander Kakhramonovich Makhmudov (the “**Sanctions**”) pursuant to the Russia (Sanctions) (EU Exit) Regulations 2019 and the LME’s current understanding that the Sanctions apply to Ural Mining and Metallurgical Company (“**UMMC**”), and its subsidiary Joint Stock Company Chelyabinsk Zinc Plant (“**Chelyabinsk**”). As required by Notice 22/239, the LME will only allow UMMC and Chelyabinsk branded metal (as specified in appendix 1 of Notice 22/239) to be placed on warrant if the metal owner can demonstrate to the LME’s satisfaction that UMMC or Chelyabinsk sold the metal before 26 September 2022 and since this time has not had any ownership rights and/or other economic interests in respect of the metal.
2. In accordance with Notice 22/239, we request that the LME confirms that the metal detailed in the attached spreadsheet may be placed on LME warrant (the “**Metal**”).
3. We confirm and provide the attached supporting evidence demonstrating that placing the Metal on warrant will not involve any breach of the Sanctions. In particular, but without limitation, we confirm that:
 - (a) such dealings do not involve UMMC or Chelyabinsk directly or indirectly;
 - (b) the metal was produced and supplied to the metal owner by UMMC or Chelyabinsk prior to 26 September 2022, and that UMMC or Chelyabinsk have not had any property or other economic interest in the metal after this date; and
 - (c) neither UMMC or Chelyabinsk have contributed or received funds, goods or services in connection with any dealings in the metal.
4. We await a response from the LME as contemplated by Notice 22/239.

Yours faithfully

[Signed]

[FULL NAME AND TITLE OF AN OFFICER OF METAL OWNER COMPANY]



Appendix 3 – Spreadsheet

