

## Reporting of Inducements & Charges

1. Pursuant to clause 9.3.2 of the warehouse agreement, warehouse companies are required, from 1 January 2016, to report inducements and charges to the LME on a periodic basis.

### Form for Reporting

2. Set out below are the forms for reporting inducements and charges to the LME.

#### (a) Inducements

Date	Customer Reference	Number of inducements paid	Metal	Location	Type of inducement	Value of inducement (US\$)	Rationale for value of inducement

#### (b) Charges

Date	Customer Reference	Number of charges made	Metal	Location	Type of charge	Value of charge (US\$)	Rationale for value of charge

### Guidance

3. Inducements may take a number of different forms. All relevant inducements, irrespective of the form, must be reported to the LME. The warehouse agreement defines inducement as: “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”. Where the inducement takes the form of a non-monetary benefit, such as free/discounted transportation, the LME expects the warehouse company to ascribe a value to such benefit. In such a case, the warehouse company would be required to explain the rationale for this. The LME may request further information in relation to such rationale.
4. The charges which must be reported to the LME include any permissible charges imposed by warehouse companies in relation to metal on warrant, but do not include rent and FOT rates, which are reported to the LME separately. Warehouse companies should be aware that the policy on approval & operation



of warehouses and the warehouse agreement place certain restrictions on charges which warehouse companies may impose.

5. Warehouse companies may elect to submit information regarding their customers on an anonymous basis: in other words, they would submit a customer reference to the LME rather than the identity of the customer. The LME may request further information, including the identity of the customer, where necessary. Such a request will only come from the LME's Physical Operations, Compliance or Legal departments.
6. All information submitted by warehouse companies regarding inducements and charges shall be treated confidentially pursuant to clause 9.3.6 of the warehouse agreement (subject to the limitations and exceptions set out therein).

### **Submission of Reports**

7. Warehouse companies will be required to complete and submit the forms on a quarterly basis. The report shall cover all inducements paid or charges made during the relevant quarter, irrespective of when the agreement governing or relating to such inducements or charges was entered into. The report must be completed and submitted to the LME not later than one month after the expiration of the previous quarter.
8. Warehouse companies must report all inducements and charges paid or made after 1 January 2016, irrespective of whether the agreement governing or relating to such inducement or charge was entered into before or after 1 January 2016. Each warehouse company must submit its first report on incentives and charges by the end of April 2016 relating to the period January – March 2016. The next report, covering the period April – June 2016, must be submitted by the end of July 2016, and so on.
9. If the warehouse company has not offered any inducements nor imposed any charges, then the warehouse company must make a “nil return” to the LME.
10. The LME will review each report made by warehouse companies and may request further information where appropriate.
11. Warehouse companies are reminded of the importance of timely and accurate reports. Failure to report on a timely and accurate basis may result in disciplinary action under the disciplinary procedures handbook. Warehouse companies with questions regarding the reporting of inducements or charges are encouraged to contact the Physical Operations department at the LME.