

To: All Members, warehouse companies and their London agents

Ref: 17/111

Classification: Disciplinary

Date: 31 March 2017

Subject: **DISCIPLINARY PROCEDURES HANDBOOK: SETTLEMENT IN RELATION TO ACCESS WORLD (USA) LLC**

Summary

1. This notice records a settlement between the Exchange and Access World (USA) LLC (“AW USA”) pursuant to the Disciplinary Procedures.

Defined terms

2. Capitalised terms not otherwise defined herein shall have the meaning ascribed to them in the terms and conditions of the LME warehouse agreement (the “Warehouse Agreement”).

Background

3. Following an investigation by the Exchange, the Exchange and AW USA have reached a settlement pursuant to the Disciplinary Procedures. The settlement has been reached on the terms outlined below, without AW USA admitting any of the alleged breaches or matters which formed part of the investigation. The Enforcement Committee of the Exchange has approved the settlement.
4. Between September 2010 and October 2014 there were occasions when AW USA’s employees falsified documents, including bills of lading, to give the Exchange the impression that zinc had physically moved from the New Orleans Delivery Point when it had either not moved or it had moved but on a date other than shown in the inventory records (the “Falsified Records”).
5. AW USA explained that there were various times during the period when it encountered logistical issues in the New Orleans Delivery Point. Rather than contacting the Exchange to discuss these issues, senior management of AW USA at the time instead decided to provide customers who had cancelled warrants with the option to leave their metal in the relevant warehouse. In order



to do so, employees of AW USA (with the knowledge in certain instances of AW USA senior management at the time) created the Falsified Records to give the Exchange the impression that the metal had physically moved.

6. The acts of misconduct alleged against AW USA arise from an alleged breach of clause 7.5.5(i) (proper and accurate recording of transactions in books and records) of the Warehouse Agreement.
7. AW USA has enacted enhanced procedures and controls to minimise the risk of similar occurrences at its New Orleans location (the “Improved Measures”).

Settlement

8. The Exchange and AW USA agreed a settlement in which AW USA, without admitting any of the alleged breaches, agreed to:
 - (a) pay the Exchange a fine of USD 1.4 million; and
 - (b) pay the reasonable costs and expenses of two members of the Exchange’s Physical Operations Department undertaking a warehouse and systems audit of the Improved Measures.
9. In agreeing the level of the fine, the Exchange took account of, amongst other things, the following facts:
 - (a) The nature of the Falsified Records;
 - (b) The alleged misconduct occurred occasionally over a period of 4 years; and
 - (c) In certain instances certain AW USA senior management at the time was aware of this alleged misconduct.
10. In agreeing to the settlement, the Exchange took into account of, amongst other things, the following:
 - (a) AW USA have cooperated fully with the Exchange at all times since the commencement of the investigation;
 - (b) As set out in paragraph 5 above, the Exchange understands that the primary rationale for the Falsified Records was to address logistical issues;
 - (c) As far as the Exchange is aware, the schedule of cancelled metal was not impacted; and
 - (d) AW USA have enacted the Improved Measures.



Adherence to LME Rules

11. The Exchange reminds the market that it expects its listed Warehouses to maintain an open and cooperative relationship with the Exchange and to act with integrity at all times. The Exchange also expects its listed Warehouses to incorporate appropriate checks into its processes and procedures so that any potential acts of misconduct undertaken by individuals within the organisation can be promptly discovered and acted upon.

Tom Hine
General Counsel & Head of Enforcement

cc: Board directors