

To: All members, warehouse companies and their London agents

Ref: 23/034

Classification: Warehousing

Date: 28 February 2023

Subject: **WARRANTING OF RUSSIAN PRIMARY ALUMINIUM, COPPER, LEAD, NICKEL AND NASAAC BRANDS IN US WAREHOUSES**

## Summary

1. Following the announcements by the US authorities on 24 February 2023 imposing additional tariffs of: (1) 200% on certain Russian origin and third country manufactured aluminium articles and aluminium derivative articles; and (2) raising up to 70% the non-most favoured nation (“MFN”) tariffs on specified Russian origin aluminium articles as well as other metals (including copper, lead and nickel), this Notice announces an immediate suspension of the warranting, applicable only to LME-listed warehouses located in the US, of any new primary aluminium, copper, lead, nickel or aluminium alloy (in the form of NASAAC).
2. It should be noted that there is currently no Russian primary aluminium, copper, lead and nickel on warrant in US warehouses. However, there is currently Russian NASAAC on warrant (400 tonnes) in LME-listed warehouses in the US. Accordingly, this Notice also announces that the LME is suspending the use of such Russian NASAAC warrants for use in settlement of LME NASAAC futures. The LME would further note that there is currently no open interest (and hence no expected settlement obligations) for NASAAC.
3. For the avoidance of doubt, no further changes are being made to the ability to warrant Russian metal in warehouses outside of the US. The LME reiterates its position, per Notice 22/260, that the thesis which would underpin fears of a disorderly market arising from Russian metal (in particular, a sufficiently large proportion of global consumers refusing to accept Russian metal in 2023) was not supported by evidence at that time. Accordingly, the LME did not propose to prohibit the warranting of new Russian metal. The LME does not believe that the recent US announcement changes this position, given that many US consumers had already “self-sanctioned” in respect of Russian metal.

## Defined Terms

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

## Background

5. The US government announced on 24 February 2023 that it was: (1) imposing a 200% tariff on the importation into the US of aluminium articles and derivative aluminium articles that are the product of Russia or are manufactured in third countries using Russian aluminium, in accordance with Section 232 of the Trade Expansion Act of 1962; and (2) additionally imposing 35% or 70% tariffs on imports of Russian aluminium and other metals under the Trade Act of 1974 (the “Proclamations”). The Section 232 Proclamation applies to primary aluminium and aluminium alloy, and as such applies to aluminium produced by the brands listed in Appendix 1. The US government also published an annex to the Non-



MFN Proclamation which stated that it would also be imposing a 70% tariff on the importation of Russian produced copper and lead, and a 35% tariff on Russian produced nickel.

6. This Notice sets out the LME's response to the measures in the Proclamations. It does not constitute legal advice or guidance and should not be relied upon by any person.

### **Suspension of Warranting of certain Russian metal in the US**

7. The LME is concerned that any metal that is subject to the Proclamations, which is put onto warrant in LME-listed warehouses in the US, will subsequently be unable to be removed from warrant and imported into the US, without significant additional cost as a result of the Proclamations. Accordingly, these warrants would be assigned a discounted valuation by the market, given that a buyer of such warrants wishing to use the underlying metal would need to (i) pay the escalated level of tariffs to import the metal into the US, or (ii) pay to ship the metal outside of the US. The scale of this risk is driven by the significant levels of the tariffs within the Proclamations.
8. Were this situation allowed to exist, and given the LME "seller's option" model, there is a high probability that US-stored Russian metal would become the "cheapest to deliver", and the LME price could hence fall to the discounted value of such metal. This could create price dislocations in the LME's market, and mean that the LME price would represent the price of discounted US-stored Russian metal, rather than the price of genuinely consumable metal. This could in turn lead to possible market disruption and disorderly market conditions.
9. Accordingly, the LME considers that it is necessary to announce an immediate suspension on the placing on warrant of the brands that are subject to the Proclamations (the metals produced by the entities listed in Appendix 1) in LME warehouses in the US. The LME is exercising such powers of suspension under Regulation 4 of Part 7 of the LME Rulebook.
10. It should be noted that there is currently no primary aluminium, copper, lead or nickel in LME-listed warehouses in the US that has been produced by the entities listed in Appendix 1, and therefore the existing stock of primary aluminium, copper, lead and nickel on warrant will not be impacted by the Proclamations.
11. Because (except in the case of NASAAC, which is further considered below) there are no Russian metal stocks currently in US warehouses, the LME can – by taking this action now – ensure that the potential disorderly market conditions (discussed above) do not arise. The LME notes that the increased tariff rates do not come into force until 10 March 2023 or 1 April 2023 (depending on the metal). However, were the LME to wait until the introduction of the increased tariff rates, then there exists the potential danger that Russian metal could be warranted in US warehouses before such introduction, and could then give rise to the market distortions outlined above. It should be noted that the tariff rates, in the understanding of the LME, will apply to all Russian metal in foreign trade zones as at the date of the introduction of the tariffs (regardless of the date it was loaded into the warehouse).
12. The LME recognises that this measure would, theoretically, limit the ability of a party to load in Russian metal to US warehouses and create new LME warrants. However, the LME's measures will not prevent the sale of such metal bilaterally (or other use). Furthermore, were such warrants to be created and sold on the LME, it could be expected that the LME price would (by the mechanisms outlined above) converge to the lower price of US-stored Russian metal. As such, the LME considers that any disadvantage that will result from the steps we are undertaking in response to the Proclamations is justified by the need to preserve an orderly market.



## **Invalidation of Russian NASAAC Warrants**

13. As set out above, there is currently NASAAC metal on warrant, which was produced by certain entities listed in Appendix 1. NASAAC can only be warehoused in the US – and hence, for the same reasons as set out at paragraphs 7 and 8 above, the LME is concerned that the presence of Russian NASAAC will create discounted NASAAC warrants, to which the NASAAC price would converge and hence threaten the orderly functioning of the market.
14. The LME considers it appropriate in the circumstances to invalidate in LMEsword the current NASAAC warrants which are subject to the Proclamations. This will be achieved by the LME issuing an Invalid Warrant Instruction pursuant to Regulation 11.2 of Part 10 of the LME Rulebook, thereby invalidating current NASAAC warrants, in respect of the NASAAC brands listed in Appendix 1.
15. The LME notes that there is no open interest in respect of these NASAAC warrants. As such, there are no currently-expected settlement obligations, and so the LME does not believe that any position holder will be disadvantaged by being unable to use any invalidated warrant in settlement.
16. The LME is acting immediately, rather than waiting for the effective date of the increased tariffs, to remove the possibility that new NASAAC positions are opened, and Russian NASAAC warrants are used to deliver against these positions, prior to the effective date. In the view of the LME, such behaviour risks creating a disorderly market as participants attempt to offload Russian NASAAC warrants onto the market prior to the effective date.
17. Holders of the invalidated warrants will still be able to cancel and load-out the underlying metal, and then enter into bilateral sales (or other activities) in respect of such metal. For the same reasons as set out at paragraph 12 above, the LME considers that any disadvantage that will result from the steps we are undertaking in response to the Proclamations is justified by the need to preserve an orderly market.
18. The LME further notes the possibility that non-Russian NASAAC producers make use of Russian primary aluminium, which likely would make such non-Russian NASAAC subject to the higher tariffs. The LME is not aware of such usage, but will engage with NASAAC producers over the coming days to confirm this position.

## **Warranting of Russian Primary Aluminium, Copper, Lead, Nickel and NASAAC in US Warehouses**

19. With immediate effect, pursuant to its powers under Regulation 4 of Part 7 of the LME Rulebook, the LME hereby announces a suspension on placing the brands listed in Appendix 1, on warrant in LME-listed warehouses in the US.
20. The LME also invalidates the NASAAC warrants which were produced by the brands listed in Appendix 1 with immediate effect, pursuant to its powers under Regulation 11.2 of Part 10 of the LME Rulebook.

## **Next steps**

21. The actions set out in paragraphs 19 and 20 of this Notice shall remain in effect until further notice. The LME is aware that the US government is intending to publish further information in relation to the Proclamations, and the LME hence intends to confirm (and, if necessary, update) its position to the market prior to 10 March 2023, being the first effective date of the increased tariffs. The LME notes that the actions outlined in paragraphs 19 and 20 of this Notice come into force immediately.
22. To the extent that market participants wish to make representations as to the LME's actions they are asked to send representations to [kishan.chandarana@lme.com](mailto:kishan.chandarana@lme.com) by 5pm (London time) on Monday 6 March. Any such representations will be taken into account when the LME considers the need (if any) to update its



position. Please note that further information on the measures the LME has already undertaken in response to sanctions against Russian can be found on the LME website.

**Matthew Chamberlain**  
**Chief Executive Officer – London Metal Exchange**

cc: Board directors  
All Committees



## Appendix 1

### Primary Aluminium

BRAND	PRODUCER
RUSAL K	JSC "RUSAL Krasnoyarsk Aluminium Smelter"
RUSAL B	PJSC "RUSAL Bratsk Aluminium Smelter"
RUSAL S	JSC "RUSAL Sayanogorsk Aluminium Smelter"
RUSAL KH	JSC "RUSAL Sayanogorsk Aluminium Smelter"
RUSAL N	JSC "RUSAL Novokuznetsk Aluminium Smelter"
KAZ SUAL	United Company RUSAL Kandalaksha Aluminium Smelter
BOAZ	JSC Boguchany Aluminium Smelter
RUSAL I	Affiliate of PJSC "RUSAL Bratsk" in Shelekhov
RUSAL VG	United Company RUSAL Volgograd Aluminium Smelter

### NASAAC

BRAND	PRODUCER
S	SEAL & Co., Ltd
PTM	Permtsvetmet JSC
RUSAL B	PJSC "RUSAL Bratsk Aluminium Smelter"

### LEAD

BRAND	PRODUCER
FRGT PB985R	Fregat LLC

### COPPER

BRAND	PRODUCER
NORNICKEL	PJSC "MMC "Norilsk Nickel"
NORILSK	PJSC "MMC "Norilsk Nickel"
UMMC	JSC Uralelektromed
UMMC II	JSC Uralelektromed



**NICKEL**

<b>BRAND</b>	<b>PRODUCER</b>
NORNICKEL	JSC "Kola GMK"
SEVERONICKEL COMBINE H-1	JSC "Kola GMK"
SEVERONICKEL COMBINE H-1Y	JSC "Kola GMK"