

To: All members, warehouse companies and their London agents and other interested parties

Ref: 23/044

Classification: Warehousing

Date: 17 March 2023

Subject: **INVALIDATION OF NINE NICKEL WARRANTS AND ASIAN HOURS NICKEL TRADING POSTPONEMENT**

## Summary

1. This Notice informs the market of the invalidation of nine nickel warrants, and announces a one-week postponement to the LME's return to Asian trading hours nickel trading.

## Invalidation of nine nickel warrants

2. In recent months, the LME has been alert to reports of cargo irregularities in the broader physical nickel market, and in particular, any possible implications for the LME. The Exchange has robust rules and processes, and contractual arrangements in place with warehouse operators, to maintain oversight over LME-warranted metal and to protect the market as a whole.
3. The Exchange has received information that a number of physical nickel shipments, out of one specific facility of an LME-licensed warehouse operator, have been subject to such irregularities.
4. On the basis of this information, the warehouse operator has promptly undertaken a full check of warranted nickel at this facility, and has engaged with the LME throughout this process. As a result, the metal underlying a small proportion of nickel warrants at this location (nine warrants in total) has been found to be non-conformant with the contract specifications. Live nickel stocks are currently 6,337 warrants, and so the non-conformant warrants represent 0.14% of live nickel stock.
5. These nine warrants have been invalidated, and so cannot be delivered against LME contracts, and the warrant owner notified. The LME continues to work with and support all affected holders of live and cancelled warrants. The insurance requirements for LME-listed warehouse companies are set out in the Warehouse Agreement<sup>1</sup>.
6. The LME will, of course, work with the warehouse operator to ensure that the circumstances around this incident are fully established. The LME has procedures in place to ensure that appropriate investigative and, where warranted, enforcement action, is undertaken.

## Other steps

7. The irregularities relate to bagged nickel briquettes, and were evident from, among other things, the weight of the bags. In this context, the LME reminds licensed warehouse operators of the strict requirement to weigh all metal before it is placed on warrant.
8. No warrants at the facility, other than those mentioned above, are affected. The LME has no reason to believe at this time that any other LME-approved facility is affected – particularly since, as set out above, the mandatory weight-based load-in check would identify such irregularities.

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<sup>1</sup> Notice 17/007 also sets out requirements on warehouses in respect of insurance



9. Out of an abundance of caution, the LME has requested that all licensed warehouse operators re-undertake relevant inspections on warranted nickel.
10. The LME notes that its other metal contracts do not allow bagged delivery, and hence are not susceptible to this type of irregularity.
11. The LME would also encourage owners of off-warrant bagged nickel to undertake their own checks of their material.

#### **Asian hours nickel trading**

12. Although the LME is confident that any direct impact on its traded contracts is removed by the invalidation of the affected warrants, the Exchange also recognises that participants may wish to make their own stock checks (of, for example, off-warrant stock) or take other actions over the weekend.
13. To the extent that this could impact trading behaviour when the market opens on Monday, the LME would prefer this to happen during London hours, when liquidity is generally stronger.
14. Accordingly, the LME will postpone the return to Asian hours nickel trading from Monday 20 March 2023 (as currently scheduled and announced in Notice 23/032) to Monday 27 March 2023.

#### **Queries**

15. Members should direct any questions relating to this Notice to the LME Relationship Management team at [RM@lme.com](mailto:RM@lme.com).

**Jamie Turner**  
**Interim Chief Operating Officer, LME**

Cc: Board directors  
All committees