



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

Ref: 23/233

Classification: General Updates

Date: 14 December 2023

Subject: **WARRANTING AND TRADING OF RUSSIAN METAL ON THE LME**

## Summary

1. This Notice sets out the LME's understanding of the recently introduced UK sanctions on Russian metals. These sanctions reflect the UK Government's policy to restrict UK Persons<sup>1</sup> from engaging with Russian metals. In summary, the LME does not anticipate these sanctions impacting trading access to the LME; however, it will be important for market participants (especially those with a UK nexus) to fully understand the new sanctions regime.

## Background and Overview

2. On 14 December 2023, the UK Government introduced amendments to the Russia (Sanctions) (EU Exit) Regulations 2019 ("Regulations")<sup>2</sup> which restrict UK Persons acquiring Russian metal, including metal produced by the Russian brands listed in Appendix 1<sup>3</sup> (the "Relevant Metal"). In addition to the restriction on acquiring Russian metal, the amendments to the Regulations also restrict UK Persons from importing, supplying and delivering Russian-origin metal or metal located in Russia with such restrictions coming into force on at 00.00 on 15 December 2023 (the "Sanctions").
3. The UK Government introduced a general trade licence (the "General Trade Licence")<sup>4</sup> in conjunction with the amendments to the Regulations which enables the LME, LME Clear, UK LME Members and UK Clients to continue to 'acquire' Russian metal while it is on warrant (including the issuance, creation and holding of such warrant and rights in such metal in accordance with the rules of the LME) and therefore, as noted above, they are able to continue to trade the Relevant Metal on the LME. The LME's understanding of how the Regulations affect the LME, LME Clear and trading on the LME by UK entities is set out below. This Notice does not constitute legal advice or guidance and should not be relied upon in this way by any person. Individuals and/or entities should seek independent legal advice and conduct their own assessment as to the applicability of the Sanctions to their operations.
4. The LME understands that the UK Government's intention when introducing the recent sanctions in respect of Russian metal is (among other things) to prevent UK Persons acquiring physical Russian metal. However, the intention is also to continue to allow the trading of metal (including Russian metal), and ability

<sup>1</sup> References to UK Persons means: (i) individuals/entities that are physically in the UK or within the UK's territorial sea regardless of their nationality (ii) British citizens (including those with dual citizenship), wherever in the world they are located, live or work (iii) a body incorporated or constituted under the law of the UK wherever in the world they are operating.

<sup>2</sup> Please see the following website for the Regulations: <https://www.legislation.gov.uk/ukxi/2023/1364/contents/made>.

<sup>3</sup> Appendix 1 distinguishes brands in accordance with the following: by 1) warrants in respect of the metal produced by these brands can continue to be traded on the LME and also new warrants can be issued in respect of the brands' metal, subject to the future warranting restrictions noted within this Notice; and 2) warrants in respect of the metal produced by these brands can continue to be traded on the LME, however no future warrants can be issued in respect of these brands as the LME has previously suspended or delisted these brands.

<sup>4</sup> Please see the following website for the for the General Trade License: [https://www.gov.uk/government/publications/trade-licence-for-acquisition-of-metals-warrant?utm\\_medium=email&utm\\_campaign=govuk-notifications-topic&utm\\_source=ad1b784d-fdd4-42a5-9ddd-389e65be34de&utm\\_content=immediately](https://www.gov.uk/government/publications/trade-licence-for-acquisition-of-metals-warrant?utm_medium=email&utm_campaign=govuk-notifications-topic&utm_source=ad1b784d-fdd4-42a5-9ddd-389e65be34de&utm_content=immediately).



for UK Persons to trade, on global metal exchanges, including the LME. As such, the main impact on LME trading is that UK Persons will (under certain circumstances) not be able to cancel and take delivery of Russian metal warrants, because this could provide a route by which UK Persons could circumvent the sanctions. However, the LME expects that UK Persons' use of the LME will not otherwise be affected.

5. At a very summary level (and subject to the more detailed descriptions below), the LME understands that the effect of the amendments to the Regulations will be as follows:
- a) Non-UK Clients of Members ("Clients") (and non-UK LME Members trading for their own account) who are not within UK sanctions' jurisdiction, can continue to undertake LME activities as normal (warranting Russian metal, selling and acquiring Russian warrants through clearing or ex-cleared transfer, cancelling Russian warrants and taking metal delivery, and re-warranting Russian metal). However, non-UK LME Members and non-UK Clients should conduct their own assessment as to their sanctions obligations and the applicability of UK sanctions to their operations.
  - b) UK Clients (and UK LME Members trading for their own account) can engage in the following activity:
    - i) in respect of **Russian warrants in warehouses located in the UK** (which can only be created in respect of metal which has been lawfully imported into the UK, as further set out below), continue to undertake LME activities as normal in respect of those Russian warrants – namely, (A) selling the Russian warrants through clearing or ex-cleared transfer, (B) cancelling Russian warrants and taking metal delivery, and (C) re-warranting the corresponding Russian metal, provided that they maintain ownership of the underlying Russian metal;
    - ii) in respect of **Russian warrants in warehouses outside the UK which they had owned prior to 00.00 on 15 December 2023**, being when the Sanctions come into force, continue to undertake LME activities as normal in respect of those Russian warrants – namely, (A) selling the Russian warrants through clearing or ex-cleared transfer, (B) cancelling Russian warrants and taking metal delivery, and (C) re-warranting the corresponding Russian metal, provided that they maintain ownership of the underlying Russian metal;
    - iii) in respect of **Russian metal lawfully imported into the UK and kept off-warrant**, warrant that metal, and undertake the activities in respect of those warrants set out in (i) above;
    - iv) in respect of **Russian metal outside the UK which they had owned prior to 00.00 on 15 December 2023 and kept off-warrant**, warrant that metal, and undertake the activities in respect of those warrants set out in (ii) above; and
    - v) in respect of **Russian warrants in warehouses outside the UK they acquire after 00.00 on 15 December 2023 (through clearing or ex-cleared transfer) under the terms of the General Trade Licence<sup>5</sup>**, they can then hold these Russian warrants and sell them through clearing or ex-cleared transfer. However, they will not be able to cancel these warrants or take delivery of the underlying Russian metal (and, by extension, cannot re-warrant the underlying Russian metal).
  - c) UK and non-UK LME Members can continue to facilitate LME activities for their UK and non-UK Clients, provided that the Client is entitled to perform that activity. So, for example, a UK LME Member can continue to facilitate a non-UK Client placing Russian metal on warrant, holding the warrant, transferring the warrant, or cancelling the warrant (to the order of the non-UK client).
  - d) UK-incorporated warehouse operators and London Agents can continue to facilitate LME activities for their UK and non-UK clients, provided that the client is permitted to perform that activity.
  - e) Only Russian metal which was lawfully imported into the UK in accordance with the Sanctions can be placed on warrant in UK LME-listed warehouses. Therefore, the LME is further restricting the warranting of Russian metal in UK LME-listed warehouses, so that only metal which has been lawfully

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<sup>5</sup> As market participants may be aware, a general licence enables UK Persons to undertake activities which may otherwise be prohibited under the law, subject to compliance with the terms and conditions specified within a general licence, without having to apply for a specific licence.



imported into the UK is eligible for warranting at UK LME-listed warehouses. Warranting of Russian metal is already restricted in UK LME-listed warehouses following the UK Government's imposition of additional duties in March and July 2022. It should also be noted that there is currently no Russian metal warranted in UK LME-listed warehouses.

## Defined Terms

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

## Impact of the Sanctions on Relevant Metal Warrants owned by UK LME Members<sup>6</sup> and UK Clients

- As noted in paragraph 5 above, if UK LME Members or UK Clients acquired Relevant Metal warrants before 15 December 2023, their activities on the LME in respect of those warrants will not be impacted upon by the Sanctions, as the Sanctions impose restrictions on the acquisition of Russian metal on or after 15 December 2023, noting that the Sanctions do not apply to Russian metal lawfully imported into the UK as discussed in paragraphs 10 and 16 below. Therefore, UK LME Members and UK Clients can continue to buy and sell Relevant Metal warrants on the LME and use such warrants in the settlement of contracts through LME Clear. In addition, UK LME Members and UK Clients can cancel Relevant Metal warrants and take physical delivery of the metal, as long as the warrants in question were acquired by the UK LME Member or UK Client before 15 December 2023 (with the exception of Relevant Metal warrants in UK LME-listed warehouses, as discussed below). UK LME Members and UK Clients can also re-warrant Relevant Metal (which has been cancelled but not yet delivered out from an LME-listed warehouse) which they acquired before 15 December 2023, as long as they have retained ownership of the underlying metal throughout, albeit the LME would note that responsibility for ensuring compliance lies with the respective UK LME Members or UK Client – see paragraph 11 below.
- In relation to off-warrant Relevant Metal which UK LME Members and UK Clients acquired before 15 December 2023, this metal may be warranted in any LME-listed warehouse unless other restrictions apply (such as those in relation to UK LME-listed warehouse, as discussed below). Once this metal has been warranted, UK LME Members and UK Clients can sell their Relevant Metal warrants, or instead can choose to cancel their warrants and take physical delivery of the underlying metal (or they may re-warrant the underlying metal as long as they have retained ownership of the metal).
- If UK LME Members or UK Clients acquire Relevant Metal warrants (through clearing or ex-cleared transfer) on or after 15 December 2023, the General Trade Licence allows the UK LME Member or UK Client to buy and sell the Relevant Metal warrants (through clearing or ex-cleared transfer). However, UK LME Members and UK Clients who acquired the Relevant Metal warrants on or after 00:00 15 December 2023 will be unable to cancel these warrants or take physical delivery of the underlying Relevant Metal (and therefore, they also will be unable to re-warrant the underlying Relevant Metal) as such activity will be in violation of the Sanctions, unless the Relevant Metal is on warrant in the UK.
- The LME notes that the Sanctions do not apply to Russian metal which was lawfully imported into the UK,<sup>7</sup> which means that Russian metal which was imported into the UK lawfully can be warranted in LME-listed warehouses in the UK. Therefore, LME Members and Clients can warrant (and also re-warrant) Relevant Metal in UK LME-listed warehouses as long as the requirements within Notices 22/097 and 22/200 are satisfied and the metal is lawfully imported into the UK. For the avoidance of doubt, no Relevant Metal may be placed on warrant in UK LME-listed warehouses unless such warranting has been discussed with the LME. UK LME Members and UK Clients can continue to buy and sell Relevant Metal warrants in which the metal is stored in the UK and use these warrants in the settlement of contracts through LME Clear. In

<sup>6</sup> This section discusses Relevant Metal warrants acquired by UK LME Members on behalf of themselves, the section below addresses Relevant Metal warrants acquired by UK LME Members on behalf of non-UK Clients.

<sup>7</sup> The LME notes that the importation of metal requires it to have entered free circulation within the UK.



addition, UK LME Members and UK Clients can cancel Relevant Metal warrants where the underlying metal is stored within a UK LME-listed warehouse and take physical delivery of the metal, as long as the underlying metal was lawfully imported into the UK.

11. As discussed above, the LME notes that Relevant Metal while on warrant can be traded by all LME Members and Clients, however the LME is not in a position to monitor whether LME Members are cancelling Relevant Metal warrants in violation of Sanctions, and as such the obligation will be on the relevant LME Member or Client to ensure compliance with the Sanctions when cancelling Relevant Metal warrants and taking physical delivery of the underlying metal. The LME also reminds LME Members 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.
12. The LME notes that the Regulations also restrict the import and the supply and delivery of the Relevant Metals from Russia to the UK or a third country by UK Persons, and that such activity conducted by UK LME Members and/or UK Clients outside of the LME may be impacted by the Sanctions. As such, UK LME Members and UK Clients should seek independent legal advice to determine whether such activity is subject to the Sanctions.

#### **Relevant Metal Warrants acquired by UK LME Members on behalf of non-UK Clients and trading by non-UK Persons**

13. As noted above, the LME understands that non-UK LME Members<sup>8</sup> and non-UK Clients may continue to engage in normal trading on the LME, and those activities listed in paragraph 5 above, in respect of Relevant Metal which was acquired prior to 15 December 2023. In relation to Relevant Metal acquired on or after 15 December 2023, if non-UK Clients and non-UK LME Members are not required to comply with the Sanctions (for example, if they are not UK Persons) they may continue to warrant Relevant Metal (with the exception of UK LME-listed warehouses), sell and acquire Russian warrants through clearing or exchanged transfer, and re-warrant underlying Relevant Metal. The LME also understands that non-UK LME Members may be able to continue to cancel Relevant Metal warrants acquired on or after 15 December 2023 and take physical delivery of the underlying metal on behalf of themselves and their non-UK Clients. However, non-UK LME Members and non-UK Clients should seek independent legal advice on undertaking such activities.
14. The LME notes that UK LME Members and London Agents may continue to warrant Relevant Metal (where such metal was acquired after the Sanctions came into force) on behalf of non-UK Clients, including the re-warranting of underlying Relevant Metal on behalf of non-UK Clients. The LME understands that the General Trade Licence enables UK LME Members to only cancel Relevant Metal warrants where the warrant was acquired on or after 15 December 2023 on behalf of non-UK Clients, as noted above such activities on behalf of UK Persons would contravene the Sanctions and the General Trade Licence. However, individual Clients of LME Members should conduct their own assessment as to the applicability of the Sanctions to their operations and whether taking physical delivery of Russian metal is permissible under their sanction obligations.

#### **Impact of the Sanctions on LME-listed Warehouses**

15. The LME notes that UK-incorporated warehouse operators and London Agents may continue to facilitate LME activities on behalf of UK Clients and non-UK Clients, provided that the Client is able to undertake that activity in accordance with the Sanctions, as outlined above. The LME expects that the Sanctions are unlikely to apply to warehouse companies as the LME understands that they generally do not acquire, indirectly or directly, any ownership in the metal which is then warranted on LMEsword. However, each

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<sup>8</sup> Who may be acting on behalf of themselves, non-UK Clients and UK Clients.



warehouse company will be best placed to confirm the impact of the Sanctions on their business, particularly if their business operations involve acquiring an ownership in the metal. The LME also reminds warehouse companies of their continued obligation to comply with sanctions pursuant to clause 7.5.1 of the LME Warehouse Agreement.

### **Further Restrictions to UK Warranting**

16. As noted above, the Sanctions also prohibit the import of Russian-origin metal, including the Relevant Metal, into the UK, unless the metal was lawfully imported into the UK. As stated in paragraph 10 above, the Sanctions do not apply to any Russian metal which was lawfully imported into the UK. For such metal to have been lawfully imported, it must have formally fulfilled all customs formalities and enter into free circulation in the UK and therefore only Relevant Metal which has been lawfully imported and entered free circulation in the UK can be placed on warrant at UK LME-listed warehouses. Therefore, with immediate effect, the LME is hereby announcing an immediate suspension on placing the Russian brands listed in Appendix 1 on warrant in LME-listed warehouses in the UK, pursuant to its powers under Regulation 4 of Part 7 of the LME Rulebook, unless the metal is lawfully imported into the UK. The LME notes that this is an extension of the suspension on warranting Russian produced copper, lead, aluminium, and nickel in UK LME-listed warehouses which the LME introduced last year, as discussed below.
17. The LME notes that in 2022 it suspended the warranting of Russian produced copper, lead, aluminium, and nickel in LME-listed warehouses in the UK, following the UK Government's introduction of additional duties of 35% on the aforementioned metals, unless the metal owner could evidence that the metal had been exported from Russia prior to the tariffs coming into force. Further information on the suspension the LME introduced in respect of Russian produced copper, lead and aluminium being placed on warrant in UK LME-listed warehouses can be found in Notice 22/097, and further information on the suspension in relation to Russian produced nickel being warranted in the UK can be found in Notice 22/200 (noting that the tariffs in relation to the aforementioned metals were introduced on differing dates). As a result of the measures already introduced by the LME via Notice 22/097 and Notice 22/200 and the conditions on warranting contained within this Notice, Relevant Metal can only be warranted in UK LME-listed warehouses if the metal owner can evidence that the metal was exported from Russia prior to 25 March 2022 (in respect of lead, aluminium and copper) and prior to 20 July 2022 (in respect of nickel) and if the Relevant Metal was lawfully imported into the UK.<sup>9</sup> As noted above, warehouse companies are required to comply with sanctions pursuant to clause 7.5.1 of the LME Warehouse Agreement.
18. It should be noted that there is currently no Russian-origin metal in LME-listed warehouses in the UK produced by the entities listed in Appendix 1, and therefore the existing metal on warrant will not be impacted by this Notice.
19. The requirements set out in this Notice shall remain in force until further notice. In the event that the UK Government publishes further information or guidance in relation to the Sanctions which relate to the Relevant Metal which is traded on the LME, the LME will update the market if appropriate.

**Matthew Chamberlain**  
**Chief Executive Officer – LME**

cc: All Committees  
cc: Board Directors

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<sup>9</sup> The LME notes the existing conditions on warranting zinc produced by CZP SHG pursuant to Notice 22/239, and that this is the only Russian produced zinc brand listed on the LME. The LME also notes that cobalt cannot be warranted in the UK.



## Appendix 1

1. Metal on warrant produced by the below brands can continue to be traded on the LME and such metal can also continue to be warranted, subject to the restrictions noted within this Notice.

### Nickel

BRAND	PRODUCER
NORNICKEL	JSC "Kola GMK"
SEVERONICKEL COMBINE H-1	JSC "Kola GMK"
SEVERONICKEL COMBINE H-1Y	JSC "Kola GMK"

### 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

### Aluminium Alloy

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

### Cobalt

BRAND	PRODUCER
NORNICKEL	JSC "Kola GMK"



## Copper

BRAND	PRODUCER
NORNICKEL	PJSC "MMC" "Norilsk Nickel"
UMMC <sup>10</sup>	JSC Uralelektromed
UMMC II	JSC Uralelektromed

## Zinc

BRAND	PRODUCER
CZP SHG <sup>11</sup>	Joint Stock Company Chelyabinsk Zinc Plant

2. Metal on warrant produced by the below brands can continue to be traded on the LME, however the LME has previously suspended or delisted the below brands and therefore no new warrants can be issued in relation to metal produced by these brands.

## Primary Aluminium

BRAND	PRODUCER
NAZ SUAL	Nadvoitsky Aluminium Plant of Siberian-Urals Aluminium Smelter

## NASAAC

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

## Aluminium Alloy

BRAND	PRODUCER
MK MBC	"Mordovvtorsiryo" LLC

<sup>10</sup>The LME notes that there continues to be conditions on the warranting of the brands UMMC and UMMC II produced by JSC Uralelektromed, please see Notice 22/239 for further information.

<sup>11</sup>The LME notes that there continues to be conditions on the warranting of this brand, please see Notice 22/239 for further information.



**Lead**

BRAND	PRODUCER
FRGT PB985R	Fregat LLC

**Copper**

BRAND	PRODUCER
NORILSK	PJSC "MMC "Norilsk Nickel"