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## Illustrating Market Transparency

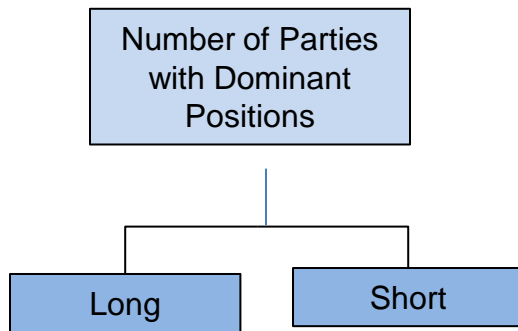
Christine Keener - Vice President, Alcoa Materials Management Europe

CEPS "Price Formation in Commodities Markets", 30 September 2013

# Market transparency: LME banding reports provide little insight

*Dominant parties are grouped by percentage of open interest out 3 months*

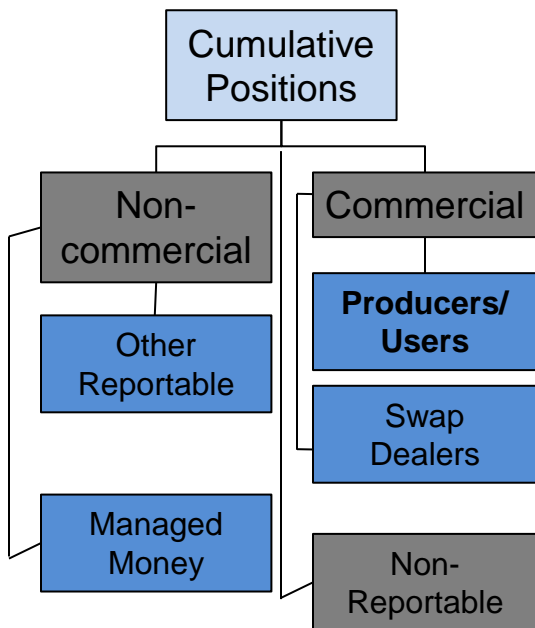
## LME Transparency/Banding



For Date 11/26/12							
% Banding	Long Position			Short Position			% Banding
	12/12	01/13	02/13	12/12	01/13	02/13	
<b>Primary Aluminum</b>							
5-9	1	2	4	1	0	0	5-9
10-19	0	0	0	1	2	2	10-19
20-29	1	0	0	0	0	0	20-29
30-39	0	0	0	0	0	0	30-39
40+	0	0	0	0	0	0	40+
<b>Aluminum Alloy</b>							
5-9	4	0	0	0	1	0	5-9
10-19	1	0	0	0	0	1	10-19
20-29	0	2	1	1	1	2	20-29
30-39	0	0	1	0	0	0	30-39
40+	1	1	1	1	1	1	40+
<b>Copper</b>							
5-9	3	3	1	2	2	3	5-9
10-19	0	0	1	1	0	1	10-19
20-29	0	0	0	0	0	0	20-29
30-39	0	0	0	0	0	0	30-39
40+	0	0	0	0	0	0	40+

# CFTC COT\* report shows actual on exchange positions by type

## CFTC Transparency/COT



## Example: COMEX Copper


All Data		CEI High-Grade Copper						Report Date: 11/20/12	
1) US CFTC	2) UK ICE	1) NYSE Liffe							
		Futures Commit	Chg	F & O Commit	Chg	Futures Traders	Chg	F & O Traders	Chg
Non-Commercial									
Long		39621	-1972	39621	-1944	58	-2	58	-1
Short		43052	-2965	43074	-2947	84	-5	84	-6
Spreading		18272	-3969	18334	-3994	49	-2	49	-2
Net Position		-3431	993	-3453	1003				
Bullish (%)		-8		-8					

All Disaggregated Data		CEI High-Grade Copper						Report Date: 11/20/12	
1) US CFTC	2) UK ICE	1) NYSE Liffe							
		Futures Commit	Chg	F & O Commit	Chg	Futures Traders	Chg	F & O Traders	Chg
Commercial									
Long									
Short									
Net Position									
Bullish (%)									
Producer/Merchant/Processor/User									
Total									
Long		12033	3826	12039	3826	23	0	23	0
Short		55540	3171	55572	3168	31	-2	31	-2
Net Position		-43507	655	-43533	658				
Bullish (%)		-78.3		-78.3					
Swap Dealers									
Total OI and # Traders									
Non-Reportable									
Long		58203	-18	58202	-18	18	-2	18	-2
Short		6906	-444	6906	-444	6	-1	6	-1
Spreading		4814	-541	4815	-541	16	1	17	1
Net Position		51297	426	51296	426				
Bullish (%)		742.8		742.8					
Managed Money									
Long		29778	-1031	29778	-1031	32	1	32	1
Short		32430	790	32427	792	48	3	48	3
Spreading		3506	-336	3522	-339	22	1	22	1
Net Position		-2652	-1821	-2649	-1823				
Bullish (%)		-8.2		-8.2					
Other Reportables									
Long		9843	-941	9843	-913	26	-3	26	-2
Short		10622	-3755	10647	-3739	36	-8	36	-9
Spreading		14766	-3633	14813	-3655	27	-3	27	-3
Net Position		-779	2814	-804	2826				
Bullish (%)		-7.3		-7.6					

# Addressing transparency to rebuild market confidence

*EU financial markets regulation is pivotal to tackle transparency issues on the LME*

- Aluminum trading volume on LME has grown almost 250% since 2002, a growth driven by financial participants
- Hong Kong Exchange will continue to grow LME to offset \$2.2B purchase price, including making the exchange more accessible to financial participants
- The financialisation of commodity markets is not an issue in itself if effective transparency rules support price discovery role of exchanges and market confidence
- Current LME reports lack visibility into the sources of trading volume and LME price do not accurately reflect fundamentals of the industry
- In line with the G20 and EU regulatory reform, stronger reporting rules such as CFTC's Commitment of Traders should be immediately put in place



Transparency rules will help ensure that the LME continues to represent the underlying fundamentals of the aluminum market and remains the most reliable source of aluminum pricing

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