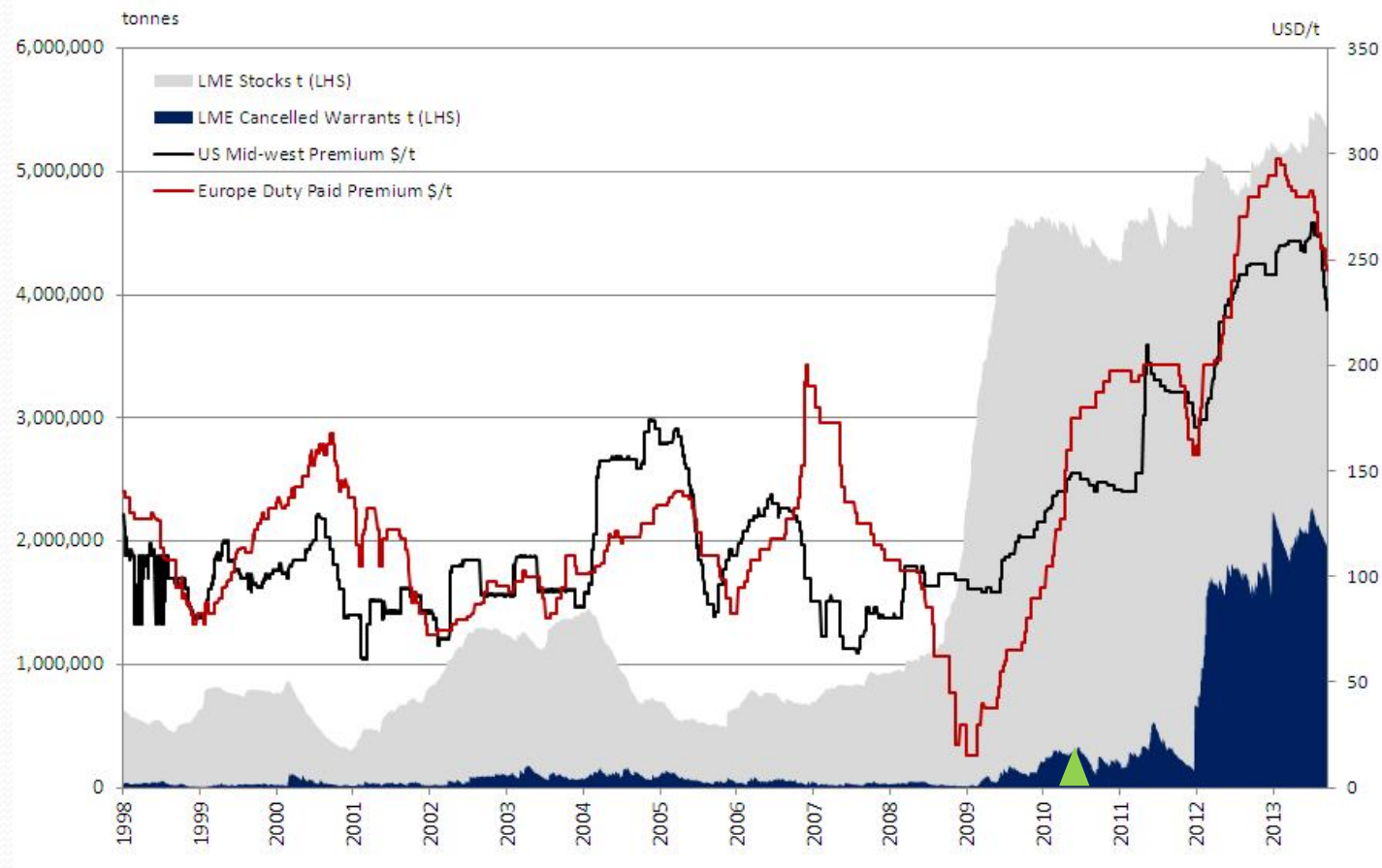


CEPS

Price formation in Commodity Markets: Financialisation and Beyond.

September 30th, 2013.

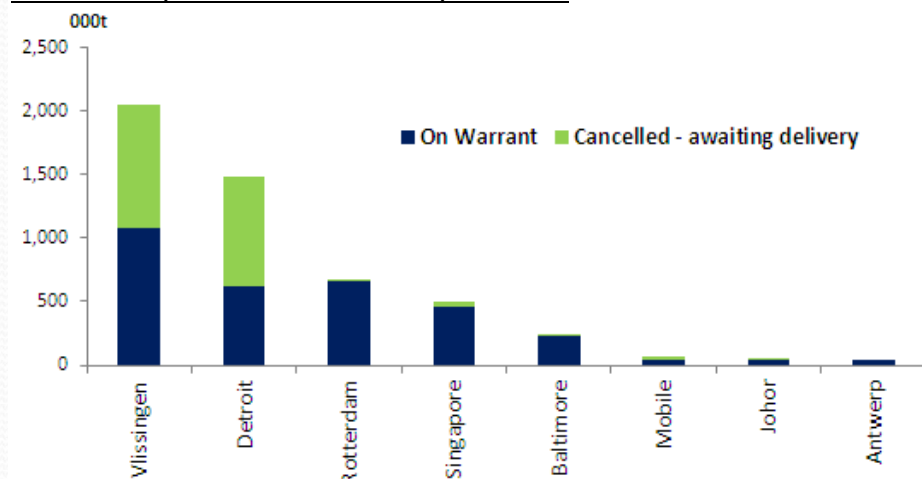
LME Aluminium Stocks and Physical Premium



▲ Jan-Oct 2010, 5 LME registered warehousing companies were purchased by banks and trading companies.

Warehouse Queues

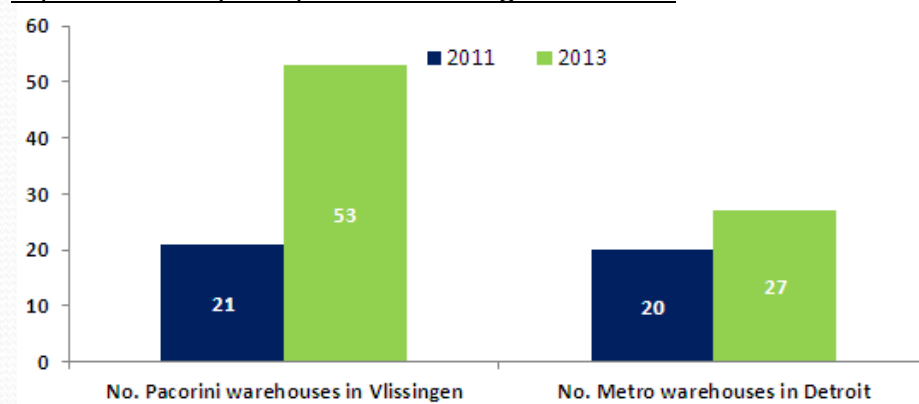
LME Primary Aluminium Stocks by Location



- Concentration of stock.
- Queues of cancelled warrants:

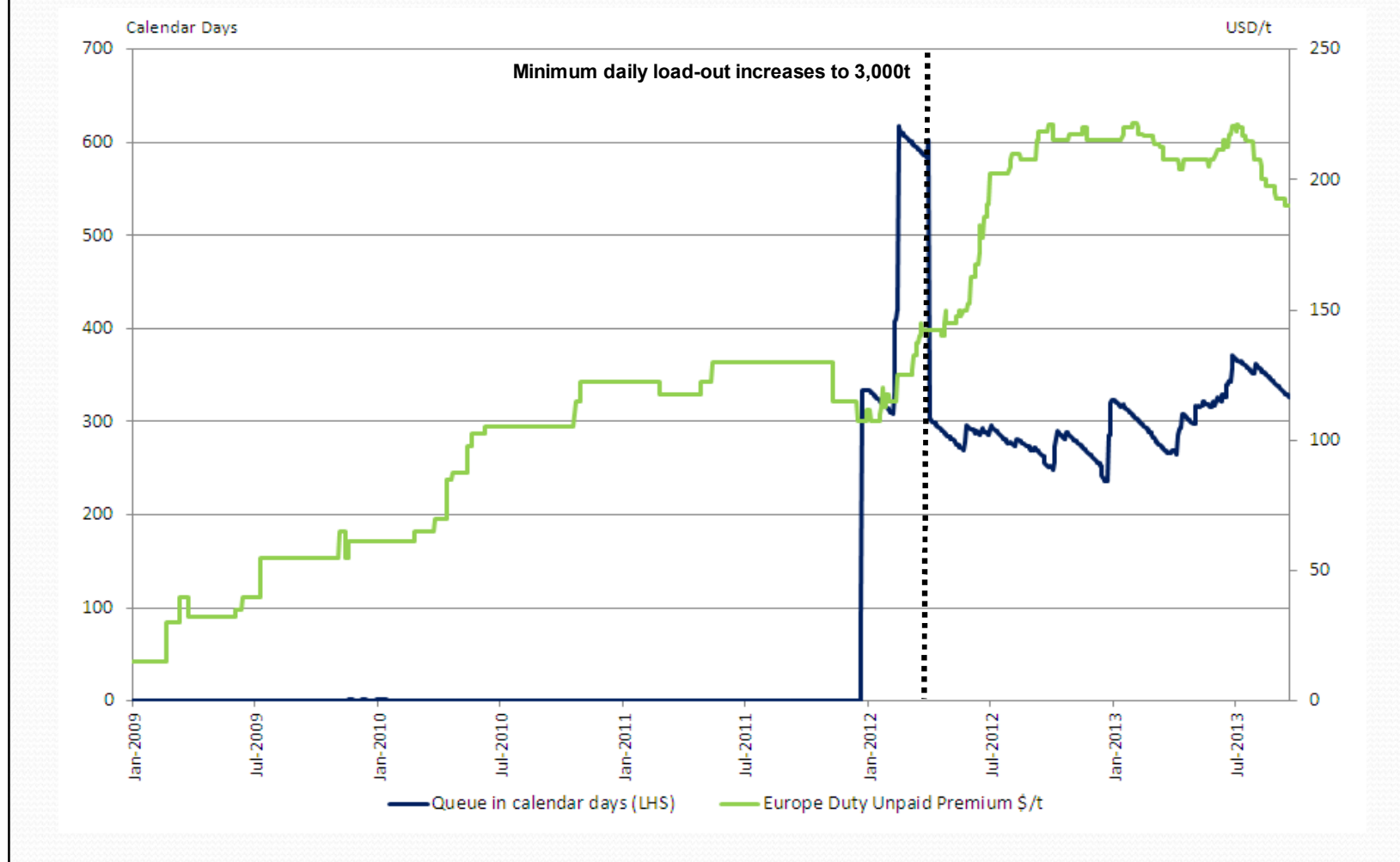
	Calendar Days	Business Days
Vlissingen	322	451
Detroit	285	398

Expansion of Key Companies in Vlissingen & Detroit

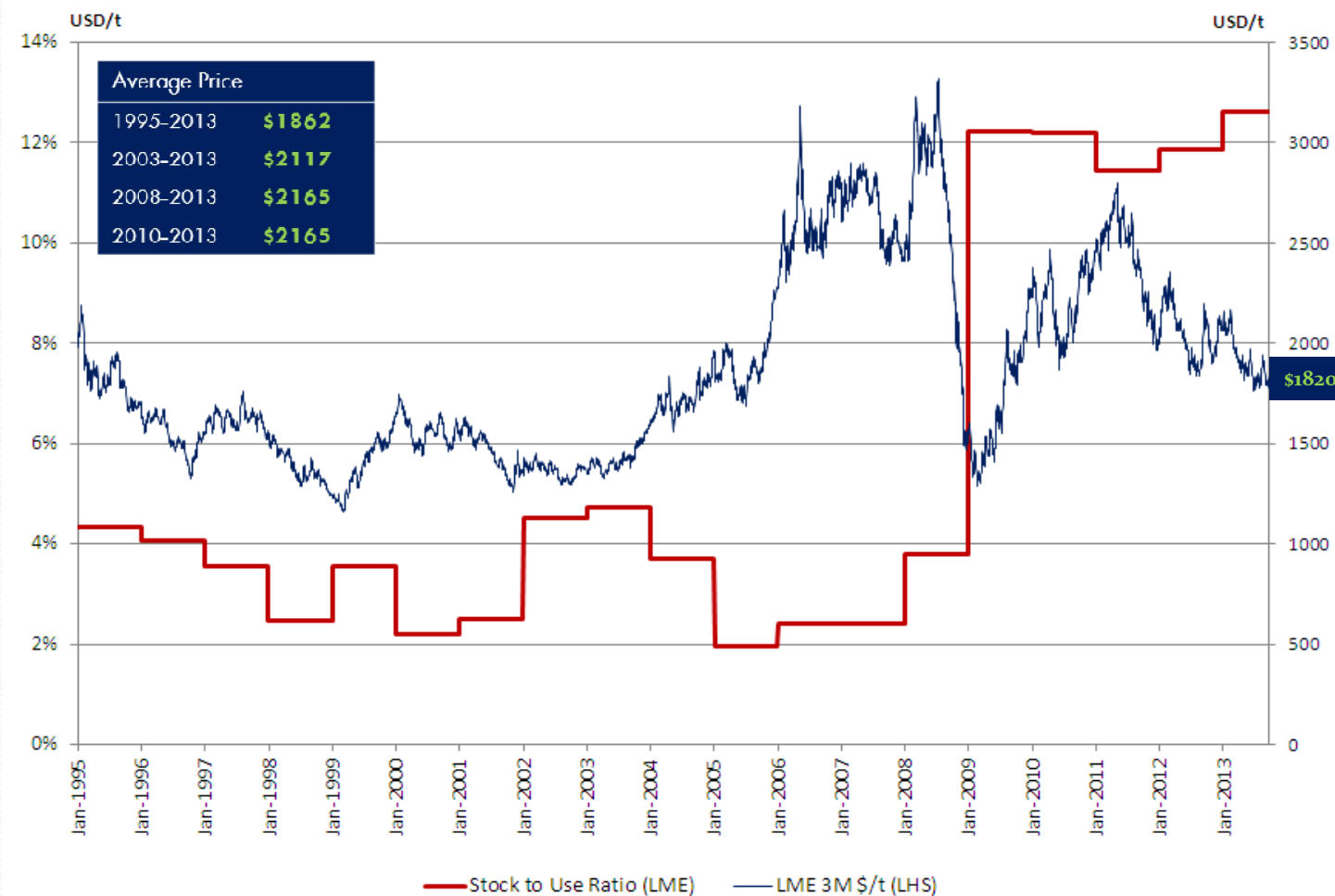


- Rapid expansion of capacity.
- Dominant ownership in key locations.

Queues & Premium – Vlissingen / Europe



LME Prices – No evidence of impact



Developments in Load-out Rules

Pre-April 2012

- Minimum daily rate.
- Based on space.

April 2012

- Minimum daily rate.
- Based on tonnage.

April 2013

- Effect of aluminium queues on other metals.

Proposal: April 2014?

- 'Grandfather' existing stock
- Gradually reduce queues to 100 days.
- Prevent increase of queues.

Warehouse company authorised space by location	Minimum daily delivery out
2500 m ²	800t
5000 m ²	1200t
7500 m ²	1500t

Warehouse company tonnage by location	Minimum daily delivery out
Up to 300kt	1500t
300 – 600kt	2000t
600-900t	2500t
>900kt	3000t

Warehouses with delivery commitments \geq 30,00t of a dominant metal:

Deliver a minimum of 500t per day of other metals.

Linked load-in, load-out:

Warehouses with queues >100 days +1,500t per day

Metal loaded-in > load-out Equivalent volume delivered out in the following 'discharge' period

Aluminium Users Group (AUG)

Infrastructure

- Facilitate delivery in line with original derivative position.
- Promote liquidity in the physical market

Load-in / Load-out:

- First-come, first serve, non-discriminatory ✓
- Exceptional inducements ✗
- Unreasonable charges ✗

Where load-out is not within 5 business days:

- Notify the Exchange
- Exchange may direct the facility not to accept further metal.

Where warrant cancelled by 20th:

- Material released by last day of that month.

If the facility fails to comply with this timing:

- No additional storage charges applied to the warrant holder.

Transparency & Regulation

Additional AUG Requests from the LME:

- Balanced representation on LME committees.
- Disaggregated Commitment of Traders report.
- Visible information on firewalls.
- Scrutiny of new capacity, and monopolisation.
- Process for dispute resolution.

Regulation:

- Clarity on remit.
- Cross border co-ordination.
- Cross functional co-ordination.
- Appropriate resource and understanding.