



INTERNATIONAL WROUGHT COPPER COUNCIL

PRESS RELEASE

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IWCC Responds to LME Discussion Paper on Market Structure

The International Wrought Copper Council (IWCC) has always valued the role of the LME in providing the platform for determining the global copper price in an open and transparent way. In order for this to continue to be the case the LME must accept fully the fact that the main driver is the physical use of the metal and act accordingly. Several of the current proposals in the LME Discussion Paper on Market Structure would undermine this.

Proposal to close The Ring: The Ring is recognised and accepted globally as the cornerstone of the LME's price discovery process. It functions well to the satisfaction of all parties. If it is not broken, then don't fix it.

The LME official copper price, as determined in The Ring, is embedded throughout the copper value chain. Abolition of The Ring will eliminate the LME official copper price as a single reference price point for industry.

The hiatus in the operation of The Ring – brought about by government-imposed COVID-19 restrictions – should not be used as a catalyst for its demise.

Proposed move from CVM to RVM: Realised Variation Margin (RVM) has already been soundly rejected (in the 2017 review): Little has changed in the physical market between then and now to force the proposal to re-surface. Indeed, as the LME acknowledges a move from CVM to RVM will likely have an impact on credit-line availability. While it is difficult to quantify what such a reduction in credit-lines might be, any reduction is expected to have a negative impact on the semis-fabricating industry. This may especially be the case for medium to smaller sized semis-fabricating companies which may have limited resources for hedging operations.

Timing of proposals and need for change: In 2017 the LME put forward very similar proposals to those in the 2021 Discussion Paper. Little has changed in the physical business in the past four years to cause the LME to relaunch proposals that had been recently dismissed. It is not clear from the perspective of the physical market why these proposals are being considered again.

Speaking about the LME's proposals, Dr. Mark Loveitt, President and Director of the IWCC said: "The IWCC is not opposed to change, providing the outcome of that change serves the needs of the physical market, which is the LME's own stated objective. It is the view of the IWCC that these proposals would not achieve this, and could have a negative impact on copper and copper alloy semis-fabricators. The IWCC would welcome further discussion with the LME and with all participants about these proposed changes and the potential impact on the copper and copper alloy semis-fabricating industry."

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Notes to editors:

1. For further information please contact Mark Loveitt: iwcc@coppercouncil.org
2. The International Wrought Copper Council (IWCC) is the international organisation for the copper and copper alloy semis-fabricating industry.

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