



INTERNATIONAL WROUGHT COPPER COUNCIL

Public Comment to US Federal Reserve System (Board)

Docket No. R-1479
RIN 7100 AE-10

Complementary Activities, Merchant Banking Activities, and Other Activities of Financial Holding Companies related to Physical Commodities

Preamble:

The International Wrought Copper Council (IWCC) was founded in 1953 and is the international trade association for the wire and brass mill industry (copper and copper alloy semis-manufacturers). The IWCC has more than 150 member companies which, with their subsidiaries, are estimated to account for the majority of annual copper consumption globally.

Public Comment:

Since the mid-2000s prices for commodities, such as copper, have been wildly fluctuating. Semis-manufacturers have been adversely affected by extraordinary commodity price volatility and physical metal availability.

At the start of 2008 aluminum stocks on the London Metal Exchange (LME) were approximately 1 million tonnes. These stocks have increased more than five-fold to an unprecedented 5.5 million tonnes, equivalent to almost 10% of annual global demand. By comparison copper stored in LME warehouses has increased from less than 200 thousand tonnes at the start of 2008 to approximately 270 thousand tonnes in March 2014, equivalent to less than 2% of global copper cathode demand.

Commensurate with the increase in these stocks of aluminum has been the purchase of LME Warehouse companies by financial institutions and trading companies.

There have been many allegations made as to the reasons why so much aluminium is stored in LME Warehouses. The IWCC does not wish to either comment or add to speculation and rumours about the reasons for the current historically high levels of aluminium. What is of concern to the IWCC is the consequential effect on delivery of other metals, notably copper, from LME warehouses.

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LME warehouses were originally founded to accommodate the needs of metal producers and metal processors. Their primary purpose now seems to be to serve the non-physical industry.

The LME is addressing the issue of metal delivery and has implemented reforms to warehouse delivery out rates which should reduce the time it takes for copper fabricators to receive metal. However, the IWCC believes that the measures introduced by the LME will not fully resolve the position for the copper industry.

The IWCC would recommend the relevant authorities to fully investigate the possible links between warehouse ownership and excessive metal stocks and, if necessary, to take appropriate and swift action to restore the metal markets to their primary purpose of serving all participants without favour.

Contact:

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