

Wolff's Guide to the London Metal Exchange



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**Wolff's Guide to
The London Metal Exchange
Second Edition**

The first edition of this book published jointly by leading metal brokers, Rudolf Wolff & Co. Ltd. and Metal Bulletin Books Ltd. was the first complete text book ever produced on how to use the London Metal Exchange.

It was an immediate success as a training/reference book for all those involved in the non-ferrous metal trade and also for individuals and institutions who wished to include metals in their portfolios as an investment or as a protection against inflation.

This second edition is even more comprehensive. The metals now traded – copper, tin, lead, zinc, silver, aluminium and nickel are all covered individually. Production and consumption figures and price graphs are also provided.

The use of the Exchange by producers, consumers, investors and speculators fully explained. 'Hedging' as an insurance against price fluctuations is given extensive treatment as also are the various other stratagems for using the market to advantage in all contingencies.

There is a chapter showing the inter-relationship between the L.M.E. and the COMEX in New York and the advantages and disadvantages of arbitrage between the two markets. And finally there is a chapter on gold is a glossary of market terms, specimen contracts, L.M.E. rules and regulations and a list of members.

A book for serious students and professionals in the metal industries and for all those interested in international trade.

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The City: Its Institutions and Landmarks

1. Whittington Avenue, home of the London Metal Exchange from 1882 to 1981. 2. Knollys House, the offices of Rudolf Wolff & Co. Ltd. from 1970 to 1981. 3 & 4. Plantation House, Fenchurch St. and Mincing Lane, the new location of the London Metal Exchange and Rudolf Wolff's new offices. 5. The London Commodity Exchange, housing the London cocoa, coffee, rubber, sugar and soya bean meal markets. 6. Fenchurch Street Station. 7. Tower of London. 8. Tower Bridge. 9. H.M.S. Belfast. 10. Customs House. 11. Bank of England. 12. The Royal Exchange. 13. The Stock Exchange. 14. Nat West Tower, London's highest building. 15. Lloyds. 16. The Baltic Exchange.



Rudolf Wolff's seat in the LME Ring (Whittington Avenue)

Rudolf Wolff & Co. Ltd.

Rudolf Wolff & Co. was founded in London in 1866 by the grandfather of the present Chairman F.F. Wolff. During the 19th century London became the major clearing house for the world's surplus metal. Gradually a metals 'futures' market evolved and in 1877 Rudolf Wolff became one of the group of merchants who formed the London Metal Exchange. Over the years Rudolf Wolff have become one of the leading brokers and Ring dealing members of the London Metal Exchange and members of the company have played a very active role in the organisation and running of the Exchange. More recently the company have become clearing members of the COMEX in New York.

In 1971 Rudolf Wolff & Co. went into partnership with Noranda Mines of Canada and the joint company of Rudolf Wolff & Co. Ltd. was formed.

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(Cont.)

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**Foreword by F. F. Wolff C.B.E. T.D.
Chairman Rudolf Wolff & Co. Ltd. (Member
of the Board of the London Metal Exchange)**

The first edition of "Wolff's Guide to the London Metal Exchange" was published to commemorate the London Metal Exchange centenary year of 1977 in a practical and lasting way. It is perhaps appropriate that the second edition should coincide with the departure of the Exchange from Whittington Avenue, its home for 98 years, to new premises in Plantation House, Fenchurch Street, London EC3.

The first edition soon became established as the definitive guide to trading on the LME. It proved to be an invaluable training manual for trainee executives in the metal trade and was also very useful to users and potential users of the market. The chapters on hedging, the "raison d'être" for any futures market, are very detailed. All consumers, producers, fabricators, dealers, merchants and processors are at risk to price fluctuations unless their production or stocks are properly hedged. For this reason the chapters on hedging cover every eventuality and the interested reader will need pencil and paper beside him if he really wants to understand hedging and other technical aspects of our market.

Since 1977, a number of changes have occurred on the Exchange, which makes this an appropriate time to publish the second edition of the book. Two new metals have been introduced; aluminium was launched in October 1978 and nickel followed in April 1979. Both these contracts are now well established and at the time of writing, a gold futures market has been announced.

Another new feature of the Exchange has been the introduction of a monitoring system. The Exchange is the only commodity futures market in the world which is still based on a principals' contract. That is to say, unlike other markets, which have their contracts independently guaranteed, ring-dealing members of the Exchange act as principals to all their contracts and guarantee their fulfilment, both to their clients and to all the other ring-dealing members with whom they trade.

However, because of the vast sums involved, the Exchange introduced the monitoring system in June 1979, whereby all ring-dealing members' positions are processed overnight on a computer and monitored by a firm of accountants to ensure that the established credit limits are not exceeded. This system provides a safeguard to all ring-dealing members

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in their transactions with each other, while at the same time allowing them the flexibility of the credit facilities which have always been associated with the LME principals' contract. This and all other innovations are fully explained later in the book.

There are other minor changes which have occurred but these merely reflect the LME's willingness to adapt to changing conditions. So, while the book gives a fully up-to-date picture of how the Exchange operates and a resumé of each of the metals traded, its main function is as a text book to guide and instruct readers in the practice of "hedging", which is neither as simple as it is sometimes made out, nor as complicated as some would have you believe.



Mr. F. F. Wolff CBE, TD, Chairman of Rudolf Wolff & Co. Ltd., Chairman of the London Metal Exchange 1970-1977 and Chairman of the Federation of Commodity Associations 1971-1977. His grandfather, Rudolf Wolff, shown in the framed photograph, was a founder member of the London Metal Exchange in 1877.

