

BUSINESS DAY

Ex-Glencore Traders Aim to Cut Out Middlemen With Online Concentrate Platform

By REUTERS JULY 4, 2017, 7:57 A.M. E.D.T.

LONDON — A group of former traders from commodity house Glencore are set to launch an online platform on Wednesday that allows mining companies and smelters to cut out the middlemen and save cash on deals for concentrates.

Open Mineral already has commitments from several major parties to use the online marketplace and plans to start actual trades once it gains a critical mass of members, probably in August or September, said Chief Executive Boris Eykher.

Smelters and miners could potentially boost returns by millions of dollars by dealing directly in the concentrate market, which is inefficient and opaque, he added.

"That's where the intermediaries are making the biggest margins and that's where the mines and smelters are losing the most money," Eykher said.

He says the potential market for the platform in copper, zinc and lead concentrates is about \$50 billion (£39 billion). This excludes concentrates produced by miners that have their own smelters.

Miners and smelters will post tenders on the online platform, get offers from counterparties and agree deals, paying a fee to the platform, which is being financed by its partners.

Eykher, who was chief financial officer at Glencore-owned zinc producer Kazzinc, acknowledges that it will take time to build up activity on the site, with the initial transactions small spot deals.

"It will take time for the platform to start operating because we need to have both parties. There are about 1,000 mines and smelters and we will knock on the door of each of them," he said.

Annual concentrate deals are already agreed for 2017, so the platform will target spot and 2018 contracts, which are due to be negotiated later in the year.

While refined metal is largely standardised and priced on global metals exchanges, the content of concentrates vary sharply due to a wide range of byproducts and impurities.

The platform estimates the value of each concentrate based on the component parts that add or subtract value when processed.

For example, copper concentrates often have valuable byproducts such as gold but also can include poisonous arsenic.

"We are confident there is a massive demand out there for improved efficiency, transparency, and better market analytics," said Chief Operating Officer Ilya Chernilovskiy.

The platform also allows members to post tenders for logistics providers, he added.

Open Mineral is part of the Thomson Reuters Labs Incubator Program for start-ups.

(Reporting by Eric Onstad; Editing by Susan Fenton)