

## Markets

# JPMorgan Is the Biggest Counterparty for Nickel Tycoon's Short Bets

- JPMorgan is leading discussions between Xiang and banks
- Tsingshan's banks also include CCBI, Standard Chartered

By Jack Farchy and Alfred Cang

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JPMorgan Chase & Co. is the largest counterparty to the nickel trades of the Chinese tycoon caught in an unprecedented short squeeze, putting the bank at the center of one of the most dramatic moments in metals market history.

About 50,000 tons of Xiang Guangda's total nickel short position of over 150,000 tons is held through an over-the-counter position with JPMorgan, according to people familiar with the matter. Based on that figure, the tycoon's company, Tsingshan Holding Group Co., would have owed JPMorgan about \$1 billion in margin on Monday. The nickel producer has

been struggling to pay margin calls to its banks and brokers, Bloomberg reported this week.

JPMorgan is leading discussions between Xiang and roughly 10 banks and brokers through which his nickel short position is held, the people said, asking not to be identified as the talks are private.

Tsingshan's difficulties paying its margin calls have put its banks and brokers in a bind, as they have had to make hefty margin calls of their own at the LME to cover their short positions on the exchange. If Tsingshan walks away from its commitments, the banks stand to lose billions of dollars.

The other banks and brokers include BNP Paribas SA, Standard Chartered Bank Plc, CCB International Holdings, ICBC Standard Bank Plc, United Overseas Bank Ltd., DBS Group Holdings Ltd., BOC International Holdings Ltd. and brokerage Sudden Financial Ltd.

Spokespeople for JPMorgan, BNP Paribas, Standard Chartered, Sudden, UOB, DBS and ICBC Standard Bank declined to comment. Spokespeople for BOCI and CCBI had no immediate comment.

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To be sure, the crisis could still be resolved without losses for Xiang and his banks. As the world's largest nickel producer, Tsingshan stands to benefit from the increase in prices if it can weather the storm. And if Xiang holds on to his short position, as he has told his banks he wants to, and nickel prices go down once the LME reopens, the amount of money he owes his banks and brokers would also drop sharply.

Tsingshan has a short position of about 30,000 tons of nickel directly on the LME, held through brokers CCBI, ICBC Standard Bank and Sucden, the people said.

The remainder of the over 150,000 ton short position is held through bilateral deals with banks like JPMorgan, they said. Many companies prefer to trade via such "over-the-counter" positions, which mean dealing only with the bank and also are subject to much fewer reporting requirements. The banks in turn generally offset their risk by placing short positions on the LME.

JPMorgan, which is the leading bank in global metals trading by far, has the largest single short position on the LME, according to people familiar with the matter. To be clear, that position is held for client businesses and there's no suggestion that the bank is placing its own short bets on nickel prices.

Bloomberg reported earlier this week that Tsingshan has secured credit promises from banks including JPMorgan that could allow it to avoid defaulting on its margin calls.

Still, discussions are ongoing. Xiang has told the banks and brokers that he would like to keep his short position, and has proposed to pledge some of Tsingshan's assets in Indonesia as collateral for the money it owes in margin calls, people familiar with the matter said Thursday.

– *With assistance by Denise Wee, Stefania Bianchi, Jun Luo, and Archie Hunter*

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