



# LME Official Prices – Benchmark Statement

# 1 Introduction

The London Metal Exchange (“**LME**”) is a world centre for the trading of industrial metals and provides pricing, risk and terminal market services to the global physical metals industry. The LME publishes various prices that fall within the definition of ‘benchmark’ pursuant to the BMR.

This Benchmark Statement is published pursuant to Article 27 of the BMR in respect of the LME Official Prices Benchmark Family.

## 2 General Information

### 2.1 Date of Original Publication

2 December 2019

### 2.2 Date of Last Update

20 May 2022

### 2.3 Review of Benchmark Statement

This Benchmark Statement is subject to periodic review by the LME Pricing and Valuations Committee. Reviews shall be completed at least annually. Additionally, this Benchmark Statement will be reviewed and updated whenever there are material changes to the information set out in it, or in the corresponding Benchmark Methodology.

### 2.4 Key Definitions

This section of this Benchmark Statement should be read in conjunction with the **Benchmark Administration – Definitions** document (“**Definitions**”) available on the LME Website. Any capitalised terms not defined in this section of the Benchmark Statement shall have the meaning given to them in the Definitions.

In this Benchmark Statement, the following specific definitions shall apply:

“**Prompt Date**” means the Business Day on which the relevant LME contract is to be settled, which in turn will depend on the tradeable date that has been traded and that has resulted in the LME contract.

## 3 Benchmarks

### 3.1 Constituent Benchmarks

The Benchmark Family comprises Official Prices as identified in the **LME List of Benchmarks** published on the LME Website. As at the date of the last update to this Benchmark Statement, Official Prices are determined in relation to a number of Prompt Dates relating to the following:

- (a) LME Aluminium;
- (b) LME Aluminium Alloy;



- (c) LME Aluminium US Premium;
- (d) LME Aluminium West-Europe Premium;
- (e) LME Aluminium East-Asia Premium;
- (f) LME Aluminium South-East Asia Premium;
- (g) LME Cobalt;
- (h) LME Copper;
- (i) LME NASAAC;
- (j) LME Nickel;
- (k) LME Lead;
- (l) LME Tin; and
- (m) LME Zinc.

The Prompt Dates for each of the Official Prices set out above that are Benchmarks are listed on the LME Website. Note that all Prompt Dates for which Official Prices are determined are Benchmarks.

The LME also publishes an Official Settlement Price for each of the Official Prices, as a subset of the Official Prices comprising this Benchmark Family.

### 3.2 ISINs

ISIN codes have not been assigned to the Official Prices.

## 4 Regulatory Information

### 4.1 Classification

The Official Prices each qualify as a “commodity benchmark” pursuant to Article 19 of the BMR. This categorisation is based on the underlying assets falling within the definition of a “commodity” (as referred to in Article 3(1)(23) of the BMR).

Each of the Official Prices utilises input data available to the LME, primarily including trading activity data. However, the Official Prices are not categorised as “regulated data” Benchmarks, nor are the Official Prices determined using contributions.

Annex II of the BMR applies to this Benchmark Family, as the Official Prices comprise Benchmarks that fall within the BMR “commodity benchmark” definition, and do not contain any critical, or other, benchmarks that would bring any of the composite Benchmarks within scope of Title II of the BMR.

The Benchmarks referred to in this Benchmark Statement are not intended to pursue Environmental, Social and Governance (“ESG”) objectives, including decarbonisation and/or the objectives of the Paris Agreement.

### 4.2 Rationale for the Benchmark(s)

The assessment of trading activity on LME’s Execution Venues during the periods defined by the Benchmark Methodology (supported by making reference to all other available data sources where there is insufficient input data) is considered to be the most appropriate pricing methodology for these Benchmarks because trading activity during those periods represents the



net balance of global risk (both on the buy and sell side) being offset in the LME market. This is a key pricing point for LME users and, in particular, physical participants who use the bid/offer mechanism for pricing OTC physical contracts and settlement.

In the context of Official Prices determined from Ring activity, as bids and offers may have been placed but not yet resulted in a concluded trade at the end of the trading window, the Ring bid/offer methodology is considered to be the most reflective approach to pricing rather than (for example) relying on concluded trades as input data.

#### 4.3 Market Reality Measured

The Official Prices are a global reference for physical contracts for the sale and purchase of certain metals. The Cash Seller's Official Prices are also used to settle physically deliverable Futures Contracts traded on the LME (and in this context are referred to as the Official Settlement Prices).

The Official Prices reflect the USD value of one metric tonne of the relevant metal for the relevant Prompt Date, where the metal must comply with the requirements of the applicable LME contract specification set out in the LME Rulebook. Metals are tradeable on the LME's Execution Venues where trading is subject to such controls including, but not limited to, daily price limits, that are designed to support a fair and orderly market. The Official Prices reflect trading activity during specified periods and the supply and demand for the relevant metal (and contract expiry) at that point in time. The times at which business can be conducted on LME's Execution Venues are set out on the LME Website and the periods for which activity is taken into account in determining the Official Prices is set out in the Benchmark Methodology.

The Official Settlement Price for each metal shall be the offer price of the Cash Prompt Date that is determined as the Official Price<sup>1</sup>.

#### 4.4 Geographical Boundaries

The LME contracts resulting from trading on the LME's Execution Venues are capable of being settled by being physically delivered into any LME Warehouse. As such, the Benchmark(s) may be subject to distortions based on factors impacting the ability of a party to an LME Contract to physically deliver, or to accept physical delivery, of the Underlying Metal. These factors may include, for example, the underlying regional supply and demand and warehousing dynamics including (but not limited to) changes in trade policy and government action.

#### 4.5 Other Information

The population of participants active in trading on the LME's Execution Venues is difficult to determine definitively as trading may take place both directly on the LME's Execution Venues (by Members) as well as indirectly (by the wider market participant population, through Members). Only Category 1 Members are capable of trading in the Ring, however (for their own account and on behalf of their clients). An up-to-date list of members of the LME by category can be found on the LME Website.

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<sup>1</sup> As there is no Cash Prompt Date for Aluminium Premiums, the Official Settlement Price for Aluminium Premiums is the offer price for the third Wednesday in Month 1 Prompt Date that is determined as the Official Price.



Market information about LME Futures, including market and exchange open interest, is published on the LME Website on a daily basis.

## 5 Benchmark Methodology

### 5.1 Criteria and Procedures used to determine the Benchmarks

This Benchmark Statement should be read in conjunction with the corresponding Benchmark Methodology which can be found on the LME Website. The Benchmark Methodology sets out information including, but not limited to, when and how the Benchmarks are determined and elements such as Expert Judgement, Assessors and Minimum Volume Thresholds.

### 5.2 Expert Judgement

The LME Quotations Committee is permitted to exercise Expert Judgement in the determination of the constituent Benchmarks. The Official Prices Benchmark Methodology and supporting internal policies and procedures that underpin the determination of Official Prices, are structured with the intent of minimising, as far as feasible whilst ensuring that Official Price determinations are reflective, the need for Expert Judgement.

As part of the LME's BMR control framework and governance arrangements, the Pricing and Valuations Committee periodically receives data and trend analysis on the frequency, nature of, and extent to which, Expert Judgement is used in relation to Benchmark determinations.

### 5.3 Assessors

The Quotations Committee is responsible for Benchmark determinations. Quotations Committee members are subject to extensive competence and training requirements. Amongst other things, these requirements are designed to ensure the consistency of Benchmark determinations where Expert Judgement is applied. Quotations Committee members are also subject to periodic performance reviews.

The LME Official Prices are determined by the Quotations Committee Chairman in conjunction with other members of the Quotations Committee. Once the Official Prices are agreed by the Chairman and published as 'provisional', a member of the Quotations Committee will complete a 4-eyed check to agree the prices prior to publication of the final Official Prices.

### 5.4 Procedures for Dealing with Errors in Input Data

The LME has a number of controls in place to prevent inaccurate pricing data being published to the market. These arrangements include, but are not limited to, pre-publication review and pricing objection windows during which objections in relation to provisionally-determined prices may be submitted. Further information on objections, including the applicable Objection Window, is set out in the Official Prices Benchmark Methodology.

Users of the constituent Benchmarks (who do not have the right to object to provisionally determined prices) may dispute a Benchmark after final publication. Final publication times and corresponding dispute periods are detailed in the Official Prices Benchmark Methodology.



In the event that the LME becomes aware that an incorrect price has been published to the market as final, the LME will follow its standard procedure assessing the potential impact of the error and, where appropriate, for notifying the market (and market data vendors) of the error and correcting the published price accordingly.

## 6 Limitations of the Benchmarks

Some of the metals that are tradeable on LME's Execution Venues are less liquid than others. Consequently, relatively limited data may be available to the Quotations Committee for these metals, on which to determine an Official Price. However, the LME has sought to take steps to support robust and reliable Benchmark determination through the implementation of various measures including (but not limited to):

- (a) permitting the Quotations Committee to use Expert Judgement (or relevant data from alternative LME Execution Venues) where appropriate; and
- (b) designing the Benchmark methodology to accommodate circumstances in which there is limited input data (for example, by applying Expert Judgement to facilitate unreflective bids and offers to be excluded from Benchmark determinations).

It is not possible to foresee all circumstances in which one or more of the Benchmarks may become unreliable, but a non-exhaustive list may include (depending on the circumstances):

- (a) an exceptional market event (e.g. an extreme volatility event or unforeseen event in the physical market);
- (b) where a trading halt is called on the LME;
- (c) insufficient input data (i.e. no bid, offers or transactions) to determine a price (notwithstanding the contingencies the LME has put in place); and
- (d) significant divergence between the Benchmark and the relevant OTC price(s).

The LME has implemented measures aimed at addressing unexpected market events and also supporting the continued provision of the Benchmarks during these events including, for example, implementing a fast markets policy which would apply in circumstances of significant volatility. Furthermore, the Benchmark Methodology sets out how the Official Price shall be determined where there is insufficient input data and where business continuity procedures have been invoked.

Additionally, in certain circumstances where a Disruption Event has been declared, the LME may instead publish prices that shall not formally constitute Official Prices. An Official Price that is determined to be subject to a Disruption Event will be referred to in relevant LME communications as a "Disrupted Official Price" in order to make the status of these prices clear. Disrupted Official Prices caused either by a market suspension or due to the daily price limits, may differ to prices that would have been established should suspension not have occurred or where controls that impacted the trading activity on LME Execution Venues had not been in place. As such, these Disrupted Official Prices may not be completely reflective of trading activity observed. The LME will also continue to publish Disrupted Official Prices on its market data feeds. Further information relating to Disruption Events can be found on the LME Website.



## 7 Changes to, and Cessation of, a Benchmark

It is possible that certain factors, including factors beyond the control of the LME, may necessitate changes to, or the cessation of on either a temporary or a permanent basis, one or more of the Benchmarks within this Benchmark Family.

A change to, or cessation of, a Benchmark may have an impact on financial contracts or financial instruments (in each case as defined within the BMR) that reference that Benchmark.

Details of the LME Benchmark Changes and Cessation Procedure, which details the LME's arrangements for consulting on proposed changes and cessations (where applicable), can be found on the LME Website.

### 7.1 Ring Price Liquidity Events

The LME also notes that it has the right to transition one or more Official Price Benchmarks permanently to electronic determination without consultation if a Ring Price Liquidity Event occurs.

## 8 ESG Factors

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### EXPLANATION OF HOW ESG FACTORS ARE REFLECTED IN THE BENCHMARK STATEMENT

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#### SECTION 1 – CONSIDERATION OF ESG FACTORS

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|---|---|
| <b>Item 1.</b> Name of the benchmark administrator  | The London Metal Exchange   |
| <b>Item 2.</b> Type of benchmark or family of benchmarks.   | Commodity Benchmarks  |
| <b>Item 3.</b> Name of the benchmark or family of benchmarks.   | Official Prices   |
| <b>Item 4.</b> Are there in the portfolio of the benchmark administrator any UK Climate Transition Benchmarks, UK Paris-aligned Benchmarks, benchmarks that pursue ESG objectives or benchmarks that take into account ESG factors? | <input type="checkbox"/> Yes <input checked="" type="checkbox"/> No |
| <b>Item 5.</b> Does the benchmark or family of benchmarks pursue ESG objectives?  | <input type="checkbox"/> Yes <input checked="" type="checkbox"/> No |
| <b>Item 6.</b> Where the response to Item 5 is positive, provide the details (score) in relation to the ESG factors listed in Annex II for each family of benchmarks at aggregated level.   |   |

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The ESG factors shall be disclosed at an aggregated weighted average value at the level of the family of benchmarks.

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|------------------------------------|---|
| (a) List of combined ESG factors:  | Details on each factor: Not applicable. |
| (b) List of environmental factors: | Details on each factor: Not applicable. |
| (c) List of social factors:        | Details on each factor: Not applicable. |
| (d) List of governance factors:    | Details on each factor: Not applicable. |

**Item 7.** Where the response to Item 5 is positive, provide below the details (score) for each benchmark, in relation to the ESG factors listed in Annex II, depending on the relevant underlying asset concerned. Alternatively, all of this information may be provided in the form of a hyperlink to a website of the benchmark administrator included in the benchmark statement. The information on the website shall be easily available and accessible. Benchmark administrators shall ensure that information published on their website remains available for five years. The score of the ESG factors shall not be disclosed for each constituent of the benchmark, but shall be disclosed at an aggregated weighted average value of the benchmark.

|   |   |
|---|---|
| (a) List of combined ESG factors:                               | Details on each factor: Not applicable. |
| (b) List of environmental factors:                              | Details on each factor: Not applicable. |
| (c) List of social factors:                                     | Details on each factor: Not applicable. |
| (d) List of governance factors:                                 | Details on each factor: Not applicable. |
| Hyperlink to the information on ESG factors for each benchmark: | Not applicable.                         |

**Item 8. Data and standards used**

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| (a) Description of data sources used to provide information on the ESG factors in the benchmark statement. | Not applicable. |
| (b) Reference standards.   | Not applicable. |

**SECTION 2 – ADDITIONAL DISCLOSURE REQUIREMENTS FOR UK CLIMATE TRANSITION AND UK PARIS-ALIGNED BENCHMARKS**

**Item 9.** Where a benchmark is labelled as ‘UK Climate Transition Benchmark’ or UK Paris-aligned Benchmark’, benchmark administrators shall also disclose the following information:

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| (a) Forward-looking year-on-year decarbonisation trajectory; | Not applicable. |
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| (b) Degree to which the IPCC decarbonisation trajectory (1,5°C with no or limited overshoot) has been achieved on average per year since creation;                         | Not applicable. |
| (c) overlap between those benchmarks and their investable universe, as defined in Article 1, point (e), of EU Regulation 2020/1818, using the active share at asset level. | Not applicable. |

### SECTION 3 –DISCLOSURE OF THE ALIGNMENT WITH THE OBJECTIVES OF THE PARIS AGREEMENT

**Item 10.** By the date of application of this Regulation, for significant equity and bond benchmarks, UK Climate Transition Benchmarks and UK Paris-aligned Benchmarks, benchmark administrators shall also disclose the following information. By 31 December 2021, benchmark administrators shall, for each benchmark or, where applicable, each family of benchmarks, disclose the following information:

|   |   |
|---|---|
| (a) Does the benchmark align with the target of reducing carbon emissions or the attainment of the objectives of the Paris Agreement;   | <input type="checkbox"/> Yes <input checked="" type="checkbox"/> No |
| (b) The temperature scenario, in accordance with international standards, used for the alignment with the target of reducing GHG emissions or attaining of the objectives of the Paris Agreement; | Not applicable.   |
| (c) The name of the provider of the temperature scenario used for the alignment with the target of reducing GHG emissions or the attainment of the objectives of the Paris Agreement;             | Not applicable.   |
| (d) The methodology used for the measurement of the alignment with the temperature scenario;  | Not applicable.   |
| (e) The hyperlink to the website of the temperature scenario used.  | Not applicable.   |
| Date on which information has last been updated and reason for the update:  | 15 January 2021.  |



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|  | Implementation of the requirements of Commission Delegated Regulation (EU) 2020/1816. |
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## 9 Document Change History

| Version | Date       |
|---------|------------|
| 1.0     | 02/12/2019 |
| 1.1     | 19/02/2020 |
| 1.2     | 15/01/2021 |
| 1.3     | 06/09/2021 |
| 1.4     | 18/10/2021 |
| 2.0     | 20/05/2022 |



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