



# The LME Statement of Compliance with the IOSCO Principles for Oil Price Reporting Agencies and Independent Assurance



## 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 are used throughout the metals industry as reference prices (and which fall within the definition of 'benchmark' pursuant to the UK Benchmarks Regulation (**BMR**)). The LME is authorised and regulated by the Financial Conduct Authority in respect of its benchmark administration activities.

The LME is making this statement of compliance with the IOSCO Principles for Oil Price Reporting Agencies (**IOSCO Principles**) on a voluntary basis. The LME is not an oil price reporting agency, nor are any of the benchmarks administered by the LME oil benchmarks. The LME's BMR statement of compliance is available separately on the LME website.

The IOSCO Principles' role is acknowledged in the BMR as a global standard for the provision of benchmarks. This is demonstrated in relation to a third country administrator applying for recognition. The European Securities and Markets Authority Questions and Answers on the BMR (**ESMA Q&A**) sets out under 7.5 that "where Article 32(2) of BMR states that in order to assess compliance with the IOSCO principles for Oil Price Reporting Agencies (PRAs), the FCA may rely on an assessment [of the IOSCO Principles] by an independent external auditor". Another example where the IOSCO Principles are seen to be an appropriate proxy is with regards to audit requirements. ESMA Q&A also sets out under 7.6 that "Pursuant to Article 19 of the BMR, for those commodity benchmarks applying Annex II of the BMR instead of Title II of BMR, ESMA considers that an annual review of IOSCO principles for PRAs by an independent external auditor is sufficient to ensure compliance with paragraph 18 of Annex II of BMR".

This **IOSCO Statement of Compliance** is published pursuant to Principle 2.21 of the IOSCO Principles in respect of the audit requirement for the LME's adherence to its stated methodology criteria and with the requirements of the IOSCO Principles. In this IOSCO Statement of Compliance, the LME describes the relevant control objectives and procedures for the period from 1 January 2023 to 31 December 2023 (**Period Under Review**) relevant to five families of benchmarks, namely the Official Prices, Closing Prices, Monthly Average Settlement Prices (**MASPs**), Notional Average Prices (**NAPs**)<sup>1</sup> and LBMA Platinum and LBMA Palladium (**LPP**) Prices (collectively the '**Benchmarks**') administered by the LME during the Period Under Review. A list of the Benchmarks and each Benchmark Family to which those Benchmarks belong can be found in Appendix A.

The LME has appointed Ernst & Young LLP (**EY**) to provide independent assurance regarding the LME's IOSCO Statement of Compliance and that the control procedures relating to the applicable requirements of the IOSCO Principles and the published benchmark methodologies have been adhered to in respect of the Benchmarks. EY have concluded that in all material respects, except for the matters described in the Basis for qualified conclusion section of the Independent practitioner's assurance report, based on the control objectives described in the IOSCO Statement of Compliance in respect of the Benchmarks which were designed to fulfil the LME's compliance with the applicable requirements of the IOSCO Principles and adherence to published benchmark methodologies (the **Control Objectives**):

- the LME's IOSCO Statement of Compliance describes fairly the LME's control procedures that relate to the control objectives which were in place throughout the Period Under Review;
- the control procedures are suitably designed such that there is reasonable, but not absolute, assurance that the related control objectives would have been achieved if the described control procedures had been in place and were complied with satisfactorily throughout the Period Under Review; and
- the control procedures that were tested, as set out in the IOSCO Statement of Compliance, were operating with sufficient effectiveness for EY to obtain reasonable, but not absolute, assurance that the related control objectives were achieved throughout the Period Under Review.

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<sup>1</sup> As per LME Notice 23/057 and with effect from 2 May 2023, the NAPs were no longer treated as benchmarks under the UK BMR and accordingly our review covers NAPs between 1 January 2023 and 28 April 2023.



## Key Terms

This IOSCO Statement of Compliance should be read in conjunction with the LME Benchmark Defined Terms (**Definitions**) and other BMR related documents, for example, benchmark methodologies and benchmark statements (the **BMR Documents**) available on the LME's website<sup>2</sup>. Any capitalised terms not specifically defined in this IOSCO Statement of Compliance shall have the meaning given to them in the Definitions and BMR Documents.

## Further Information

If any interested parties have any questions or requests for further clarification regarding this IOSCO Statement of Compliance, please contact the LME at [benchmarks@lme.com](mailto:benchmarks@lme.com).

Further details about the LME, the Benchmarks or other services can be found at [www.lme.com](http://www.lme.com).

## Disclaimer

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<sup>2</sup> The documents referred to as BMR Documents are, to all intents and purposes, the LME's pricing methodology documents for non-BMR purposes.



## Executives' Statement

We are responsible for the identification of the control objectives for our business and the design and operation of the LME's control framework to effectively address the provisions of the IOSCO Principles and in compliance with the published benchmark methodologies for the Benchmarks.

In our attached IOSCO Statement of Compliance, we set out a description of the relevant frameworks and control procedures together with the related control objectives and IOSCO requirements for the period from 1 January 2023 to 31 December 2023 (**Period Under Review**) and confirm that, except for the matters noted in the Independent practitioner's assurance report:

- i. The IOSCO Statement of Compliance fairly describes the control procedures which were in place throughout the Period Under Review;
- ii. The control procedures are suitably designed such that the specified control objectives, including the provisions of the IOSCO Principles and benchmark methodologies, can be achieved and to our knowledge and belief the described control procedures were complied with; and
- iii. The control procedures were operating with sufficient effectiveness to achieve related control objectives throughout the Period Under Review.

Signed by Matthew Chamberlain for and on behalf of The London Metal Exchange,

A handwritten signature in black ink, appearing to be 'M Chamberlain', with a long horizontal line extending to the right.

**Matthew Chamberlain, Chief Executive Officer and Board Director**

22 February 2024

**Independent practitioner’s assurance report to the directors of The London Metal Exchange (the ‘Company’) in respect of the Company’s statement of compliance (the ‘IOSCO Statement of Compliance’) with the IOSCO Principles for Oil Price Reporting Agencies (‘IOSCO Principles’) and adherence to its published benchmark methodologies, with regards to their administration and calculation of five ‘families of benchmarks’ for the period from 1 January 2023 to 31 December 2023.**

## **Use of the report**

This report is produced in accordance with the terms of our engagement letter dated 31 October 2023 (the ‘Engagement Letter’) for the purpose of reporting to the Directors of The London Metal Exchange (the ‘Company’) in connection with the reasonable assurance engagement over the description, design and operating effectiveness of the control procedures stated in the Company’s IOSCO Statement of Compliance (the ‘Company’s control procedures’ or ‘Subject Matter’), that relate to the control objectives (the ‘Company’s control objectives’ or ‘Criteria’) with regards to the Company’s compliance with the IOSCO Principles for Oil Price Reporting Agencies (‘IOSCO Principles’) and the Company’s adherence to its published benchmark methodologies with regards to its administration of five families of benchmarks, namely:

- Official Prices,
- Closing Prices,
- Notional Average Prices<sup>3</sup>,
- Monthly Average Settlement Prices, and
- LPP Prices

(collectively the ‘Benchmarks’) throughout the period 1 January 2023 to 31 December 2023.

This report is made solely to the directors, as a body, of the Company, and solely for the purpose of reporting on the Company’s compliance with the IOSCO Principles and published benchmark methodologies, as described in the IOSCO Statement of Compliance and in accordance with the Engagement Letter. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Company and the Company’s directors as a body, for our examination, for this report, or for the opinions we have formed.

Our work has been undertaken so that we might report to the directors those matters that we have agreed to state to them in this report and for no other purpose. Our report must not be recited or referred to in whole or in part in any other document nor made available, copied or recited to any other party, in any circumstances, without our express prior written permission.

## **Responsibilities of the Company**

As Directors of the Company, you are responsible for ensuring that the Company designs, implements and monitors compliance with policies and procedures that comply with the IOSCO Principles and with published benchmark methodologies, and that the IOSCO Statement of Compliance has been compiled in accordance with the IOSCO Principles. The Company’s directors remain solely responsible for preparing the IOSCO Statement of Compliance which includes the control objectives and related control procedures.

The Company’s directors are responsible for selecting the criteria, and for presenting the subject matter in accordance with that criteria, in all material respects. This responsibility includes establishing and maintaining internal controls, maintaining adequate records and making estimates that are relevant to the

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<sup>3</sup> As per LME Notice 23/057 and with effect from 2 May 2023 the Notional Average Prices (NAPs) were no longer treated as benchmarks under the UK BMR and accordingly our opinion on NAPs is expressed between 1 January 2023 and 28 April 2023.

preparation of the subject matter, such that it is free from material misstatement, whether due to fraud or error.

### **Responsibilities of Ernst & Young LLP**

Our responsibilities for this engagement are to form an independent conclusion, based on the work carried out in relation to the control procedures related to compliance with the IOSCO Principles and adherence to its published benchmark methodologies in respect of the Benchmarks and the evidence we have obtained, as described in the Company's IOSCO Statement of Compliance and report this to you as the directors of the Company.

### **Our approach**

We conducted our engagement in accordance with International Standard on Assurance Engagements (ISAE) (UK) 3000 (July 2020) Assurance Engagements other than audits or reviews of historical financial information ('ISAE (UK) 3000 (July 2020)') as promulgated by the Financial Reporting Council (FRC) and the Institute of Chartered Accountants in England and Wales' Technical Release (Tech 02/14FSF) Assurance Reports on Benchmark and Indices.

For the purpose of the engagement we have been provided by the directors with the IOSCO Statement of Compliance. The Directors of the company remain solely responsible for the preparation of the IOSCO Statement of Compliance.

The criteria against which the control procedures were evaluated are the control objectives as set out within TECH 02/14 FSF and identified by the Company's directors as relevant control objectives to fulfil the Company's compliance with the applicable BMR requirements and adherence to its published benchmark methodologies. We performed a reasonable assurance engagement as defined in ISAE (UK) 3000 (July 2020).

In performing this engagement, we have applied International Standard on Quality Management (ISQM) 1 and the independence and other ethical requirements of the Institute of Chartered Accountants of England and Wales (ICAEW) Code of Ethics (which includes the requirements of the Code of Ethics for Professional Accountants issued by the International Ethics Standards Board for Accountants (IESBA)).

We have performed the procedures agreed with you and set out in our Engagement Letter.

The objective of a reasonable assurance engagement is to perform such procedures on a sample basis as to obtain information and explanations which we consider necessary in order to provide us with sufficient appropriate evidence to express a positive conclusion on the IOSCO Statement of Compliance.

### **Inherent limitations**

Our conclusion is based on historical information and the projection of any information or conclusions in the attached report to any future periods would be inappropriate. Our examination excludes audit procedures such as verification of all assets, liabilities and transactions and is substantially less in scope than an audit performed in accordance with International Standards on Auditing (UK) and therefore provides a lower level of assurance than an audit. Accordingly, we do not express an audit opinion on the information.

A benchmark, price or index is not an indicator of the validity or functioning of the underlying market and we express no assurance over the validity or functioning of the underlying market. The validity and reliability of benchmarks is dependent on (i) underlying data, market information, or inputs used in the Company's benchmark administration and (ii) the procedures performed by the Company to analyse that information. Our opinion does not provide assurance on any controls over the completeness and accuracy of underlying data, market information, or inputs used in the Company's benchmark administration activities, nor on any such underlying data, market information or inputs itself. We performed no procedures on, and express no assurance over the underlying data, market information, or inputs used by the Company for the purpose of determining a benchmark.

Control procedures designed to address specified control objectives are subject to inherent limitations and, accordingly, errors or irregularities may occur and not be detected. Such control procedures cannot guarantee protection against (among other things) fraudulent collusion especially on the part of those holding positions of authority or trust.

### Conclusion

In our opinion based on the control objectives described in the Company's IOSCO Statement of Compliance in respect of the Benchmarks, which were designed to fulfil the Company's compliance with the applicable IOSCO principles and with the published benchmark methodologies, in all material respects:

- a) The IOSCO Statement of Compliance describes fairly the Company's control procedures that relate to the control objectives specified above which were in place throughout the period from 1 January 2023 to 31 December 2023;
- b) The control procedures are suitably designed such that there is reasonable, but not absolute, assurance that the related control objectives would have been achieved if the described control procedures had been in place and were complied with satisfactorily throughout the period from 1 January 2023 to 31 December 2023; and
- c) The control procedures that were tested, as set out in the IOSCO Statement of Compliance, were operating with sufficient effectiveness for us to obtain reasonable, but not absolute, assurance that the related control objectives were achieved throughout the period from 1 January 2023 to 31 December 2023.

*Ernst & Young LLP*

Ernst & Young LLP

London

22 February 2024



## IOSCO Statement of Compliance

The tables below set out the IOSCO Principles for Oil Price Reporting Agencies and how the LME complies with each of those principles. While these principles were drafted primarily for the oil markets, they were designed in such a way that they could be applied to the commodities market. The control framework, designed and operated by the LME for administration of prices, is written in line with terminology set out in the UK Benchmark Regulation (**BMR**). Where this control framework is also referenced to demonstrate compliance with the IOSCO Principles, some terms may not correlate seamlessly, for example, ‘price assessment’ and ‘benchmark’.

1. QUALITY AND INTEGRITY OF PRA METHODOLOGIES			
Principle	IOSCO Requirement	LME’s Response	EY Evaluation Procedures
<b>Methodology</b>			
1.1	A PRA should formalize, document, and make public any methodology that it uses for a price assessment.	<u>Control objective:</u> The LME publishes a Benchmark Methodology in accordance with IOSCO Principle 1.1 for each Benchmark Family.	<ul style="list-style-type: none"> <li>▶ We obtained all the applicable versions of the Benchmark Methodologies and the notices which supplement the Benchmark Methodologies from the LME’s website and inspected them for evidence of the elements as described in the LME’s response.</li> <li>▶ We obtained the business continuity policies for all the Benchmarks and inspected them for alternative arrangements to ensure publication process continues in compliance with the IOSCO Principles and methodology.</li> </ul> <p><b>Other matters:</b></p> <ul style="list-style-type: none"> <li>▶ We noted that on 26 October 2023, there was an interruption to the Ring Official Price discovery due to the activation of a fire alarm. This caused a 30-minute delay for the price discovery of Lead, Zinc, Aluminium, Nickel &amp; Aluminium Premiums Official Prices. In line with the LME Official Prices benchmark methodology and supporting procedures and supporting</li> </ul>
1.2	A methodology should aim to achieve price assessments which are reliable indicators of oil market values, free from distortion and representative of the particular market to which they relate.	For the LPP Prices, Schedule 1 of the LPP Regulations constitutes the Benchmark Methodology.	
1.3	At a minimum, a methodology should contain and describe: <ul style="list-style-type: none"> <li>a) All criteria and procedures that are used to develop an assessment including how the PRA uses the specific volume, concluded and reported transactions, bids, offers and any other market information (collectively "market data") in its assessment and/or assessment time periods (i.e., windows), why a specific reference unit is used (i.e., barrels of oil), how the PRA collects such market data, the guidelines that control the exercise of judgment by assessors and any other information, such as assumptions, models and/or extrapolation from collected data that are considered in making an assessment;</li> </ul>	Each Benchmark Methodology should be read in conjunction with the applicable Benchmark Statement.  <u>Control procedures:</u> Benchmark Methodologies for each Benchmark Family are reviewed and approved by the relevant governance committee prior to them being published on the LME’s website.  With reference to specific points in IOSCO Principles 1.1 – 1.3:  (a) The LME’s published Benchmark Methodologies contain and describe the criteria and procedures used for the determination of the benchmarks, including, but not limited to, the collection of input data such as bids and offers, transactions, quotes and other market information.	





1. QUALITY AND INTEGRITY OF PRA METHODOLOGIES			
Principle	IOSCO Requirement	LME's Response	EY Evaluation Procedures
	<p>b) Its procedures and practices that are designed to ensure consistency between its assessors in exercising their judgment;</p> <p>c) The relative importance that generally will be assigned to each criterion used in forming the price assessment (i.e., type of market data used, type of criterion used to guide judgement). This is not intended to restrict the specific application of the relevant methodology but is to ensure the quality and integrity of the price assessment;</p> <p>d) Criteria that identify the minimum amount of transaction data (i.e., completed transactions) required for a particular price assessment (the "transaction data threshold"). If no such threshold exists, the reasons why a minimum threshold is not established should be explained, including procedures where there is no transaction data;</p> <p>e) Criteria that address the assessment periods where the submitted data fall below the methodology's recommended transaction data threshold or the requisite PRA's quality standards, including any alternative methods of assessment (i.e., theoretical estimation models). That criteria should explain the procedures used where no transaction data exists;</p> <p>f) Criteria for timeliness of market data submissions and the means for such submissions (i.e., electronically, via telephone, etc.);</p> <p>g) Criteria and procedures that address assessment periods where one or more reporting entity submits market data that constitute a significant proportion of the total data upon which the assessment is based (i.e.,</p>	<p>(b) For those Benchmarks determined with elements of discretion or Expert Judgement, the Benchmark Methodologies contain and describe how and when Expert Judgment may be applied by its Assessors. The LME has established internal procedures to provide guidance and regular assessment of its Assessors which is designed to ensure judgments are exercised consistently. We note that this is not applicable to the Monthly Average Settlement Prices (MASPs) and Notional Average prices (NAPs) which are determined on the basis of a formulaic mean average calculation. No Expert Judgment or discretion is used in the process of determining the MASPs and NAPs.</p> <p>The LME has established Business Continuity Procedures for establishment of LME Benchmarks to provide guidance and to continue the recovery of the price discovery in case of an event or a disruption where the standard pricing discovery procedures cannot be followed.</p> <p>(c) The Benchmark Methodologies contains and describes the relative importance of benchmark criterion, including type of input data and use of judgement to ensure consistent and reliable benchmark determinations.</p> <p>(d) &amp; (e) The Benchmark Methodologies contain and describe the minimum amount of transaction data required in the determination of the Benchmarks and the assessment period and criteria for which inclusion of input data will be considered. Where 'Minimum Volume Requirement Threshold' (MVR Threshold) form</p>	<p>procedures, the users were notified of the interruption to the Ring session and of the revised times for price discovery. We were informed by Management that the prices were published at 13:35. We therefore note that this is not an exception or a finding and have included it to provide further information to users of this report.</p> <p>► We noted that on 25 July 2023, there was a delay in the publication of the Official Prices for all metals due to failure in workflows that sends prices to downstream systems and to market data vendors. The prices were established in line with the LME Benchmark Methodology for the Official Prices but the failure in workflow caused a delay to the publication of all Official Prices. We obtained the distributor's notice which was sent at 14:22 informing the users that the Official Prices were disseminated at approximately 14:15. Users, including through external vendors, were notified of the delay and on resolution of the publication of the Official Prices. We therefore note that this is not an exception or a finding and have included it to provide further information to users of this report.</p>



1. QUALITY AND INTEGRITY OF PRA METHODOLOGIES			
Principle	IOSCO Requirement	LME's Response	EY Evaluation Procedures
	<p>key submitter dependency). The PRA should also define in its criteria and procedures for what constitutes a "significant proportion" for each price assessment;</p> <p>h) Criteria according to which transaction data may be excluded from a price assessment.</p>	<p>part of the determination, these are defined in the Benchmark Methodologies. Where there is no MVR Threshold, the rationale is also captured in the Benchmark Methodologies.</p> <p>(f) &amp; (g) Not applicable as there are no submitters for any of the Benchmarks.</p> <p>(h) For those Benchmarks that utilise transaction data, the Benchmark Methodologies contain and describe when the exclusion of transaction data is permitted.</p> <p>The LME monitors activity undertaken on its markets using a range of tools, aimed at identifying potentially erroneous input data. Such input data could include, (on a non-exhaustive basis) transaction prices or bids and offers that represent significant and unexplained price moves, as well as potentially manipulative behaviours that may be intended to influence the determination of a Benchmark. Identification of potentially erroneous input data is escalated via reporting of observations or referrals to Market Surveillance team. Where such behaviours or circumstances are identified, the LME may exclude the relevant data from the input data that is used to determine the relevant Benchmark. Any decision to exclude transaction data would be made in accordance with the control set out in the internal procedures.</p> <p>For LPP Prices, these are determined via an auction and not using transaction data.</p> <p>This is also not applicable to the MASPs and Notional Average prices NAPs which do not directly use transaction data. However, when determining the Official Prices (including the Official Settlement Prices) and Closing Prices, the</p>	<ul style="list-style-type: none"> <li>▶ We performed a walkthrough of the benchmark determination process relevant to the Benchmarks to evidence that the Benchmarks were determined in line with published methodologies.</li> <li>▶ For a sample of each of the Official Prices, Closing Prices, Monthly Average Settlement Prices and Notional Average Prices we performed a recalculation of the published prices to ensure the methodologies were adhered to.</li> <li>▶ For the LPP Prices, we observed a number of price discovery auctions to ensure the published methodology as set out in the LPP Regulations was adhered to.</li> <li>▶ LPP Prices are discovered within LMEbullion, the application for operating the auction process, and are determined in line with the processes set out in the LPP Regulations. The LPP Regulations lays out the criteria when the minimum number of participants for an auction to be considered quorate is not met, as well as the process when the imbalance thresholds are not met. We obtained evidence that the auction took place throughout the Period Under Review and the imbalance threshold was in line with the published methodology as set out in the LPP Regulations.</li> <li>▶ We obtained the procedural documents detailing the tools available to the LME aimed at identifying potentially erroneous input data. We enquired with Market Surveillance to understand the trade and</li> </ul>



1. QUALITY AND INTEGRITY OF PRA METHODOLOGIES			
Principle	IOSCO Requirement	LME's Response	EY Evaluation Procedures
		LME may elect to exclude certain transaction data from the calculations.	<p>order review controls performed to identify suspicious transactions.</p> <ul style="list-style-type: none"> <li>▶ For a sample of referrals and observations during the Period Under Review, we obtained and inspected the evidence of the review and analysis of the observations and referrals submitted by members of the Trading Operations team.</li> </ul>
1.4	<p>A PRA should describe and publish the:</p> <p>(a) Rationale for adopting a particular methodology, including any price adjustment techniques and a justification of why the time period or window within which market data is accepted is a reliable indicator of physical market values;</p> <p>(b) Procedure for internal review and approval of a given methodology, as well as the frequency of this review;</p> <p>(c) Procedure for external review of a given methodology, including the procedures to gain market acceptance of the methodology through consultation with stakeholders on important changes to their price assessment processes.</p>	<p><u>Control objective:</u> To ensure that the LME uses a robust and transparent methodology for the determination of the Benchmarks.</p> <p>The Benchmark Statements and the Benchmark Methodologies set out the rationale for adopting particular methods for the determination of the Benchmarks. They shall be regularly reviewed to ensure they remain relevant and acceptable to the market through consultation with users on important changes when deemed necessary. The Benchmark Methodologies used for the determination of the Benchmarks are published on the LME's website.</p> <p><u>Control procedures:</u> Benchmark Statements and Benchmark Methodologies for each of the Benchmark Families are reviewed and approved by the appropriate governance committee prior to publication on the LME's website. Amongst others, the responsibility to review and approve methodologies and statements is clearly set out in the terms of reference of those governance committees.</p> <p>With reference to specific points in Principle 1.4:</p>	<ul style="list-style-type: none"> <li>▶ We inspected and confirmed that the Benchmark Statements and Benchmark Methodologies are available on the LME's website.</li> <li>▶ We obtained and inspected the Benchmark Statements and Benchmark Methodologies to evidence the LME's response for point (a) and (b).</li> <li>▶ We obtained the terms of reference of the relevant governance committees and inspected for responsibilities of the committee included: <ul style="list-style-type: none"> <li>▶ Formal annual review of the definition and methodology of the Benchmarks;</li> <li>▶ Overseeing any changes to the Benchmark Methodologies; and</li> <li>▶ Overseeing the LME's control framework for the administration of the Benchmarks and the LME's adherence to its published Benchmark Methodologies</li> </ul> </li> <li>▶ We obtained the LME Benchmark Changes and Cessation Procedure and LPP Regulations from the LME's website and inspected them for evidence of</li> </ul>



1. QUALITY AND INTEGRITY OF PRA METHODOLOGIES			
Principle	IOSCO Requirement	LME's Response	EY Evaluation Procedures
		<p>(a) The LME's published Benchmark Statements include a section on the rationale for the chosen methodology.</p> <p>(b) The LME's published Benchmark Statements and Benchmark Methodologies set out the procedure for internal review, approval, and the frequency of such reviews.</p> <p>(c) The LME's Benchmark Changes and Cessation Procedure defines the process where consultation will be considered with Benchmark users in relation to a proposed change to a Benchmark or a proposed cessation of a Benchmark. This procedure is published on the LME's website.</p>	<p>procedures to be followed in the event there are changes to the Benchmark Methodology including important changes to the calculation, as described in the LME's response. We noted during the Period Under Review there were no changes made to any Benchmark Methodology or the Benchmark Statements that were deemed to be material in nature by the LME.</p>
Changes to a Methodology			
1.5	<p>A PRA should adopt and make public to stakeholders explicit procedures and rationale of any proposed material change in its methodology. Those procedures should be consistent with the overriding objective that a PRA must ensure the continued integrity of its price assessments and implement changes for good order of the particular market to which such changes relate. Such procedures should:</p> <p>(a) Provide advance notice in a clear timeframe that gives stakeholders sufficient opportunity to analyse and comment on the impact of such proposed changes, having regard to the PRA's assessment of the overall circumstances;</p> <p>(b) Provide for stakeholders' comments, and the PRA's response to those comments, to be made accessible to all market stakeholders after any given consultation period, except where the commenter has requested confidentiality.</p>	<p><u>Control objective:</u> To ensure the integrity of Benchmark determinations and to provide users of those Benchmarks with the appropriate forums to suggest or comment on material changes to the Benchmark Methodologies.</p> <p><u>Control procedures:</u> The LME's Benchmark Changes and Cessation Procedure and Regulation 19 of the LPP Regulations set out the processes for consideration of consultation on any proposed changes to a Benchmark's methodology and the process for review and approval by the relevant governance committee prior to them being adopted and published on the LME's website.</p> <p>With reference to specific points in Principle 1.5, where a proposed change is deemed by the LME to be material and where to follow a consultation process would not be inconsistent with the LME's</p>	<ul style="list-style-type: none"> <li>▶ See response to Principle 1.4 above.</li> <li>▶ We noted during the Period Under Review there was no change made to any Benchmark Methodology that was deemed to be material in nature by the LME.</li> <li>▶ We obtained the LME Benchmark Changes and Cessation Procedure and the LPP Regulations from the LME's website. We inspected these documents for evidence of the procedures as described in LME's response in the event of changes to, or the cessation of a Benchmark.</li> <li>▶ We obtained evidence of reviews and approval of the LME Benchmark Changes and Cessation Procedure document and LBMA Platinum and LBMA Palladium</li> </ul>



1. QUALITY AND INTEGRITY OF PRA METHODOLOGIES			
Principle	IOSCO Requirement	LME's Response	EY Evaluation Procedures
		<p>regulatory obligations as the operator of a trading venue:</p> <p>(a) The LME typically adopts a consultation period of four weeks, where practicable for all the Benchmarks except the LPP Prices where the LPP Regulations set out how long participants have to object to any proposed changes to those regulations.</p> <p>(b) The LME, subsequent to the consultation, publishes comments received by users and the response to those comments, except where a commenter has requested confidentiality.</p> <p>Prior to implementation of a methodology change, approval is required to ensure appropriate testing has been performed.</p> <p><b>Changes during the Period Under Review:</b>            On 3 April 2023, the LME issued Notice 23/057 setting out its intention to re-categorise the Notional Average Prices (NAPs) under the BMR. The LME received no responses during the one month notice period and following publication on 28 April 2023, the LME no longer permits use of the NAPs for any purpose that amounts to "use of a benchmark" under the BMR.</p> <p>In March 2023, the LME announced a two-year programme of change to strengthen and enhance its markets. As part of the programme, the LME disclosed its intention to continue its market structure modernisation, starting with Closing Price methodology evolution.</p> <p>On 31 May 2023, the LME published Trading Consultation 23/091 to consult on the LME's intention to evolve the Closing Price methodology</p>	<p>Prices Regulations document from the relevant governance committee members.</p> <ul style="list-style-type: none"> <li>▶ We obtained evidence of review and approval of the following changes or cessation notices from the relevant governance committees prior to publication of the notices during the Period Under Review:               <ul style="list-style-type: none"> <li>▶ We obtained and inspected the LME Notice 23/057 relating to the Re-categorisation of Notional Average Prices under the UK Benchmarks Regulation. The notice captured the rationale for the LME's intention to re-categorise the NAPs and provided opportunity to discuss any matters with the LME during the 1-month notice period in line with the LME Benchmark Changes and Cessation Procedure. We obtained confirmation from Management that they did not receive any feedback during the notice period.</li> <li>▶ We obtained and inspected the LME's Trading Consultation 23/091 relating to LME's proposal to update the Closing Price methodology. The notice captured the rationale for the LME's intention to make changes to the Closing Prices methodology and provided opportunity to discuss any matters with the LME during the 1-month consultation period in line with</li> </ul> </li> </ul>



1. QUALITY AND INTEGRITY OF PRA METHODOLOGIES			
Principle	IOSCO Requirement	LME's Response	EY Evaluation Procedures
		<p>to determine prices for Cash, 3-month and the first four third-Wednesday monthly contracts in aluminium, copper, lead, nickel and zinc using a VWAP methodology. It also proposed certain amendments to the "Last Price" methodology where it continues to be used to price other contracts.</p> <p>Following consultation, the LME published Decision Notice 23/168 setting out a summary of responses received and the LME's response and decision to proceed with the evolution of the Closing Price methodology with a phase approached starting from 22 January 2024.</p>	<p>the LME Benchmark Changes and Cessation Procedure.</p> <p>Following the consultation period, on 14 September 2023, the LME published Decision Notice 23/168 setting out the LME's decisions in relation to the matters consulted on in Trading Consultation 23/091. This notice set out the LME's decision to apply the new Closing Price methodology, subject to certain amendments, and update the Last Price methodology in the form set out in the consultation. The decision notice also contained a summary of responses received, details on the changes that would be implemented and the timelines for when the changes would come into effect.</p>
1.6	A PRA should engage in the routine examination of its methodologies for the purpose of ensuring that they reliably reflect the physical market under assessment. This should include a process for taking into account the views of relevant stakeholders.	Refer to the LME's response to IOSCO Principle 1.4.	▶ See response to IOSCO Principle 1.4.



2. QUALITY AND INTEGRITY OF PRICE ASSESSMENTS			
Principle	IOSCO Requirement	LME's Response	EY Evaluation Procedures
2.1	A PRA should take measures that are intended to ensure the quality and integrity of the price assessment process.	Refer to the LME's response to IOSCO Principle 2.2.	▶ See response to IOSCO Principle 2.2.
<b>Market Data used in Price Assessments</b>			
2.2	<p>A PRA should:</p> <p>(a) Specify with particularity the criteria that define the physical commodity that is the subject of a particular methodology;</p> <p>(b) Utilize its market data, giving priority in the following order, where consistent with the PRA's approach to ensuring the quality and integrity of a price assessment:</p> <ol style="list-style-type: none"> <li>1. Concluded and reported transactions;</li> <li>2. Bids and offers;</li> <li>3. Other market information.</li> </ol> <p>Nothing in this provision is intended to restrict a PRA's flexibility in using market data consistent with its methodologies. However, if concluded transactions are not given priority, the reasons should be explained as called for in 2.3(b)</p> <p>(c) Employ sufficient measures designed to use market data submitted and considered in a price assessment, which are bona fide, meaning that the parties submitting the market data have executed, or are prepared to execute, transactions generating such market data and the concluded transactions were executed at arms-length from each other. Particular attention should be made in this regard to inter-affiliate transactions;</p> <p>(d) Establish and employ procedures to identify anomalous (i.e., in the context of a PRA's methodology) or suspicious transaction data and keep records of decisions to exclude transaction data from the PRA's price assessment process;</p>	<p><u>Control objective:</u> To ensure quality and integrity of benchmark calculations for the Benchmarks published by the LME.</p> <p><u>Control procedures:</u> The LME maintains up to date procedure manuals for each of the Benchmarks. These procedure manuals are reviewed and approved by the responsible area of management and governance forums.</p> <p>With reference to specific points in Principle 2.2:</p> <p>(a) The LME publishes the criteria that define the physical commodities underlying the Benchmarks in the respective Benchmark Methodology and is available for each metal on the LME website under the appropriate Contract Specifications.</p> <p>(b) &amp; (c) The priority given to input data is defined the Benchmark Methodologies and Benchmark Statements. Where this doesn't follow the order specified in Principle 2.2 (b), the rationale is provided.</p> <p>(d) Trade information used as input data for the determination of the Benchmarks is sourced from the activity on the Exchange and under the rules set out in the LME Rulebook, accordingly there are no submitters to any of the Benchmarks. Notwithstanding this, the LME have measures in place to ensure that</p>	<p>▶ We obtained each Benchmark Methodology and inspected the benchmark definition for criteria as described in the LME's response.</p> <p>▶ For a sample of each of the Official Prices, Closing Prices, Monthly Average Settlement Prices, and Notional Average Prices, we performed a recalculation of the published prices to ensure the methodologies were adhered to.</p> <p>▶ We performed a walkthrough of the benchmark determination process relevant to the Benchmarks to evidence that the Benchmarks were determined in line with published methodologies.</p> <p>▶ We obtained the Market Surveillance internal procedures to understand the process as described in the LME's response.</p> <p>▶ For a sample of referrals and observations during the Period Under Review we obtained and inspected the evidence of the review and analysis of the observations and referrals submitted by Trading Operations to Market Surveillance.</p> <p>▶ (c), (e) and (f) are not applicable as there is no submitters to the Benchmarks.</p>



2. QUALITY AND INTEGRITY OF PRICE ASSESSMENTS			
Principle	IOSCO Requirement	LME's Response	EY Evaluation Procedures
	<p>(e) Encourage parties that submit any market data ("submitters") to submit all of their market data that falls within the PRA's criteria for that assessment. PRAs should seek, so far as they are able and is reasonable, that data submitted are representative of the submitters' actual concluded transactions;</p> <p>(f) Employ a system of appropriate measures so that, to the extent possible, submitters comply with the PRA's applicable quality and integrity standards for market data.</p>	<p>input data used for the determination of the Benchmarks is bona fide.</p> <p>(e) The LME has internal policy for handling potential instances of market abuse, money laundering and/or potential breaches of the LME Rules. All exclusion of input data from the determination of the Benchmarks is logged.</p> <p>(f) Not applicable as there are no submitters to any of the Benchmarks.</p> <p>(g) Not applicable as there are no submitters to any of the Benchmarks.</p>	
2.3	<p>A PRA should describe and publish with each assessment, to the extent reasonable without delaying a price reporting deadline:</p> <p>(a) A concise explanation, sufficient to facilitate a PRA subscriber's or market authority's ability to understand how the assessment was developed, including, at a minimum, the size and liquidity of the physical market being assessed (meaning the number and volume of transactions submitted), the range and average volume and range and average of price, and indicative percentages of each type of market data that have been considered in an assessment; terms referring to the pricing methodology should be included (i.e., "transaction-based", "spread-based" or "interpolated/extrapolated");</p> <p>(b) A concise explanation of the extent to which and the basis upon which judgment (i.e., exclusions of data which otherwise conformed to the requirements of the relevant methodology for that assessment, basing prices on spreads or interpolation/extrapolation, or weighting bids or</p>	<p><u>Control objective:</u> To ensure that the LME publishes information relevant to the Benchmark to enable users to understand how the Benchmarks are produced.</p> <p><u>Control procedures:</u> The LME publishes information relevant to the Benchmark to the extent reasonable without prejudicing due publication of the benchmark and as set out in the Benchmark Methodologies.</p> <p>The Benchmark Methodologies includes all relevant information to ensure a benchmark subscriber or competent authority has the appropriate information to understand how the Benchmarks are determined and where other factors such as the use of discretion or expert judgement are available to the administrator.</p> <p>In addition to the published methodologies, the LME disseminate other market information for each metal for key prompt dates such as: volume, last traded price and traded highs and lows. This gives users additional supplementary information with</p>	<ul style="list-style-type: none"> <li>▶ We obtained the Benchmark Methodologies from the LME's website and inspected them for evidence of the elements as described in the LME's response.</li> <li>▶ We obtained evidence that the LME published 'other market information' such as volume, last traded price and traded highs and lows and is published alongside the Benchmarks.</li> </ul>





2. QUALITY AND INTEGRITY OF PRICE ASSESSMENTS			
Principle	IOSCO Requirement	LME's Response	EY Evaluation Procedures
	offers higher than concluded transactions etc.), if any, was used in establishing an assessment.	<p>regards to the input data and in order to ascertain the size and liquidity of the market on which the benchmark determinations are based.</p> <p>All input data, calculations and use of expert judgement in the determination of the Benchmarks is evidenced and logged as part of the LME record retention allowing sufficient audit trails and scrutiny in the event post publication queries are raised by a benchmark subscriber or competent authority.</p>	
Integrity of the Reporting Process			
2.4	<p>A PRA should:</p> <p>(a) Specify the criteria that define who may submit market data to the PRA;</p> <p>(b) Have quality control procedures to evaluate the identity of a submitter and any employee(s) of a submitter who report market data and the authorization of such person(s) to report market data on behalf of a submitter;</p> <p>(c) Specify the criteria applied to employees of a submitter who are permitted to submit market data to a PRA on behalf of a submitter; encourage submitters to submit transaction data from back office functions and seek corroborating data from other sources where transaction data is received directly from a trader;</p> <p>(d) Implement internal controls and written procedures to identify communications between submitters and assessors that attempt to influence an assessment for the benefit of any trading position (whether of the submitter, its employees or any third party), attempt to cause an assessor to violate the PRA's rules or guidelines or identify submitters that engage in a pattern of submitting anomalous or suspicious transaction data.</p>	<p>Not applicable as there are no submitters to any of the Benchmarks.</p>	<p>► Not applicable.</p>



2. QUALITY AND INTEGRITY OF PRICE ASSESSMENTS			
Principle	IOSCO Requirement	LME's Response	EY Evaluation Procedures
	Procedures should include provision for escalation by the PRA of inquiry within the submitter's company. Controls should include cross-checking market indicators to validate submitted information.		
<b>Assessors</b>			
2.5	A PRA should adopt and have explicit internal rules and guidelines for selecting assessors, including their minimum level of training, experience and skills, as well as the process for periodic review of their competence.	<p>This is applicable to the following families of Benchmarks:</p> <ul style="list-style-type: none"> <li>• Official Prices</li> <li>• Closing Prices</li> <li>• LPP Prices</li> </ul>	<ul style="list-style-type: none"> <li>▶ We obtained and inspected the selection and assessment criteria and procedures, and internal procedures setting out guidelines for the Assessors, and the Benchmark Assessor Tracker to evidence the LME's response to Principle 2.5 – 2.7.</li> </ul>
2.6	A PRA should have arrangements to ensure its assessments can be produced on a consistent and regular basis.	This is not applicable to the remaining families of Benchmarks since the construct of the benchmarks does not incorporate assessors.	<ul style="list-style-type: none"> <li>▶ We noted during our walkthrough that the LME's response to Principle 2.6 – 2.7 were in line with the defined procedures.</li> </ul>
2.7	A PRA should maintain continuity and succession planning in respect of its assessors in order to ensure that assessments are made consistently and by employees who possess the relevant levels of expertise.	<p><u>Control objective:</u> To ensure quality and integrity of benchmark calculations for the Benchmarks published by the LME where assessors are involved in the production of the Benchmarks.</p> <p><u>Control procedures:</u> The LME maintains up to date procedure manuals for each of the Benchmarks. These procedure manuals are reviewed and approved by the responsible area of management and governance forums.</p> <p>With reference to the specific points in IOSCO Principle 2.5 – 2.7:</p> <p>(a) The LME has put in place selection and assessment criteria and procedures to ensure the Assessors are appropriately skilled to carry out their roles in relation to the Benchmark determinations.</p>	<ul style="list-style-type: none"> <li>▶ For a sample of dates during the Period Under Review, we obtained the Trading Operations rota and noted that there was a backup Assessor/Chairman.</li> <li>▶ For a sample of dates during the Period Under Review we performed testing to check that the supervisory sign off process was followed before publication of the relevant Benchmarks.</li> </ul> <p><b>Finding:</b> During the prior period under review, from our sample testing for internal sign-off by a supervisor prior to releasing prices for dissemination to the market, we identified instances where supervisory sign offs were not evidenced in the process as prescribed in the internal control procedures. However, we were able to substantiate, using other supplementary evidence retained by Management, that</p>



2. QUALITY AND INTEGRITY OF PRICE ASSESSMENTS			
Principle	IOSCO Requirement	LME's Response	EY Evaluation Procedures
		<p>(b) Through training and ongoing assessment, the Assessors and their pricing are monitored to ensure consistency in the application of pricing waterfalls and the use of expert judgement to protect the integrity of the benchmarks.</p> <p>(c) The LME has in place internal procedures setting out guidelines for the Assessors to ensure consistent determinations. These procedures also set out information regarding succession planning, and the operation of a Trading Operations rota to ensure there are appropriate personnel available for each business day in addition to the primary Assessor/Chairman.</p> <p>(d) The internal control procedures set out the ongoing supervision of Assessors and the appropriate sign-off required for Benchmark dissemination.</p>	<p>there was supervision and oversight over the prices prior to dissemination. The process of documenting the supervisory sign-off was implemented in Q2 2023 and accordingly the finding was deemed closed subsequent to the implementation of the enhanced process.</p> <p><b>Management Response:</b> Management note that supervisory signoff occurs daily for benchmark determinations. Processes were enhanced to evidence such signoff.</p>
<b>Supervision of Assessors</b>			
2.8	<p>A PRA should institute internal control procedures to ensure the integrity and reliability of assessments. At a minimum, such internal controls and procedures should require:</p> <p>(a) The ongoing supervision of individual assessors to ensure that the methodology was properly applied;</p> <p>(b) Procedures for internal sign-off by a supervisor prior to releasing prices for dissemination to the market.</p>	Refer to the LME's response to IOSCO Principle 2.5 – 2.7.	<p>► See response to IOSCO Principle 2.5 – 2.7.</p>
<b>Audit Trails</b>			
2.9	<p>A PRA should have rules and procedures in place to document contemporaneously relevant information, including:</p> <p>(a) All market data;</p>	<p><u>Control objective:</u> To ensure the LME maintains an audit trail of benchmark information for at least 5 years.</p>	<p>► We obtained the LME's internal policy relating to record retention and inspected it for the requirements as described in the LME's response.</p>



2. QUALITY AND INTEGRITY OF PRICE ASSESSMENTS			
Principle	IOSCO Requirement	LME's Response	EY Evaluation Procedures
	<p>(b) The judgments that are made by assessors in reaching each price assessment;</p> <p>(c) Whether an assessment excluded a particular transaction, which otherwise conformed to the requirements of the relevant methodology for that assessment and the rationale for doing so;</p> <p>(d) The identity of each assessor and of any other person who submitted or otherwise generated any of the above information.</p>	<p><u>Control procedures:</u> The LME maintains an internal policy setting out the relevant retention requirements including those set out in Principle 2.9 and 2.10. The policy is reviewed and approved by the responsible area of Management and governance forums.</p>	<ul style="list-style-type: none"> <li>▶ We obtained the LME's record keeping inventory to identify what and where the contemporaneously relevant information as required in Principle 2.9 (a) to (d) are retained.</li> <li>▶ On a sample basis during the Period Under Review, except for the audio and video specifically for the Ring, we tested the back up and disaster recovery procedures as pertained in the record keeping inventory.</li> <li>▶ For the audio and video specifically for the Ring, for a sample of dates Management has evidenced to us that they were able to restore the audio and video files from the archive.</li> </ul>
2.10	A PRA should have rules and procedures in place to ensure that an audit trail of relevant information is retained for at least five (5) years in order to document the construction of its assessments.		
Conflict of Interests			
2.11	A PRA should document, implement and enforce comprehensive policies and procedures for the identification, disclosure, management and avoidance of conflicts of interest and the protection of integrity and independence of assessments. The policies and procedures should be kept up to date.	<p><u>Control objective:</u> To ensure the LME manages any actual or perceived conflicts of interest in relation to its benchmark activities appropriately.</p>	<ul style="list-style-type: none"> <li>▶ We obtained the LME Group Conflicts of Interest Policy &amp; Register and inspected it for evidence of the LME's response to Principle 2.11 – 2.14.</li> </ul>
2.12	<p>At a minimum, those policies and procedures should:</p> <p>(a) Ensure that price assessments are not influenced by the existence of, or potential for, a commercial or personal business relationship or interest between the PRA (or its affiliates), its personnel, clients, any market participant or persons connected with them;</p> <p>(b) Ensure that PRA personnel's personal interests and business connections are not permitted to compromise the PRA's functions, including outside employment, travel, and acceptance of</p>	<p><u>Control procedures:</u> LME Compliance maintains internal policies that describe the arrangements for the identification, management, disclosure and mitigation of conflicts of interests. The policies are reviewed and approved by the responsible area of management.</p> <p>The Group Conflicts of Interest Policy provides a framework for managing all conflicts within the organisation and a central register is maintained of conflicts of interest that have been declared by staff, including staff who have responsibilities with regard to the Benchmarks.</p>	<ul style="list-style-type: none"> <li>▶ We obtained evidence of the review of the LME conflict of interest mitigation register and the LME BMR conflict of interest register by LME Compliance at least on annual basis during the Period Under Review and the review of identified BMR specific conflicts by the PVC and LPPOC as recorded within meeting minutes.</li> <li>▶ We obtained conflict of interest related training material for the training provided by the LME and inspected it for evidence</li> </ul>



2. QUALITY AND INTEGRITY OF PRICE ASSESSMENTS			
Principle	IOSCO Requirement	LME's Response	EY Evaluation Procedures
	<p>entertainment, gifts and hospitality provided by PRA clients or other oil market participants;</p> <p>(c) Ensure, in respect of identified conflicts, appropriate segregation of functions within the PRA by way of supervision, compensation, systems access and information flows;</p> <p>(d) Protect the confidentiality of information submitted to or produced by the PRA, subject to the disclosure obligations of the PRA;</p> <p>(e) Prohibit PRA managers, assessors and other employees from contributing to a price assessment by way of engaging in bids, offers and trades on either a personal basis or on behalf of market participants.</p> <p>(f) Effectively address identified conflicts of interest which may exist between its price assessment business (including all staff who perform or otherwise participate in price assessment responsibilities), and any other business of the PRA.</p>	<p>The policy sets out (on a non-exhaustive basis):</p> <ul style="list-style-type: none"> <li>• a summary of the relevant requirements;</li> <li>• how conflicts of interest, or perceived conflicts of interest, may arise within the LME Group;</li> <li>• guidance on how employees should conduct outside business interests and employment; and</li> <li>• the way in which conflicts of interest should be disclosed and managed.</li> </ul> <p>The Policy is supported by a conflicts of interest register which is reviewed on a periodic basis. In order to assist the PVC and LPPOC (as applicable) in discharging their responsibility to oversee BMR related conflicts of interest, Compliance provides an extract (either annually, or when conflicts are added or removed) from the central register of all staff BMR related conflicts of interest.</p> <p>The Group PAD Policy sets out that staff within the LME Group and their related persons / related entities are not permitted to engage in any transactions involving LME-listed derivatives at any time. Staff are required to request all PAD on LME covered products through a PAD system, allowing Compliance to review staff personal account dealing for any conflict of interest considerations. Staff are required to make their initial PAD disclosures along with an annual attestation. Compliance carry-out periodic monitoring of PAD activities, with particular focus on BMR staff.</p> <p>Upon joining, LME employees receive new starter training and are required to declare conflicts of interest. Employees are also required to make an annual attestation minimising any issues that might arise with regards to conflicts of interest.</p>	<p>of conflicts of interest as a subject matter within the material.</p> <ul style="list-style-type: none"> <li>▶ We obtained the LME Operational Risk policy and inspected it for evidence of the three lines of defence model, as described in the LME's response.</li> <li>▶ For a sample of employees involved in the determination of the Benchmarks during the Period Under Review, we obtained and inspected evidence of the attestation to the LME Benchmarks Policy.</li> <li>▶ For a sample of employees involved in the determination of the Benchmarks during the Period Under Review, we obtained and inspected evidence of attestations made by individuals to have read and understood the LME's Conflict of Interest Policy.</li> <li>▶ For a sample of employees involved in the determination of the Benchmarks during the Period Under Review, we obtained and inspected evidence of attestations made by individuals to have read and understood the revised HKEX Group Personal Account Dealing Policy.</li> <li>▶ We obtained Management's confirmation that there was one new joiner to the LME during the Period Under Review who are involved in the determination of the Benchmarks.</li> <li>▶ For this new joiner we obtained evidence from LME Compliance that they completed training under the 'New Starter Induction' program.</li> </ul>
2.14	A PRA should ensure that its other business operations have in place appropriate procedures and mechanisms designed to minimise the likelihood that conflicts of interest will affect the integrity of price assessments.		



2. QUALITY AND INTEGRITY OF PRICE ASSESSMENTS			
Principle	IOSCO Requirement	LME's Response	EY Evaluation Procedures
		<p>LME employees are required to declare conflicts of interest upon joining in the new starter training and are required to make an annual attestation minimising any issues that might arise with regards to conflicts of interest.</p> <p>The LME maintain a Benchmarks Policy which sets out the key obligations that apply to the LME under the BMR and associated FCA Rules in the LME's capacity as a Benchmark Administrator. Staff who perform services in relation to administering the Benchmarks are required to read through the Benchmarks Policy and attest to their understanding of their obligations. This policy, in addition to the BMR training deck provided with it, acts as an additional mechanism to support existing controls and also acts as a reminder of the LME's obligations, including those in relation to conflicts of interest.</p> <p>The LME maintains a BMR-specific register which considers various actual or potential conflicts of interest and how it seeks to reduce the risk of those conflicts arising. The PVC and the LPPOC are responsible for periodically reviewing, and approving (as applicable), updates made to the register to ensure that it is comprehensive and up to date.</p> <p>The LME has adopted a three lines of defence model for managing risks. The first line is the business lines and support functions managing day-to-day risks including the relevant governance committees. Responsibility for the identification, notification, self-assessment and mitigation of risk rests with business areas and their support functions. The second line provides oversight over the Compliance and Risk framework. The third line is the Internal Audit.</p>	<ul style="list-style-type: none"> <li>▶ We obtained the relevant extracts of the minutes of meetings of the LME's Board of Directors and inspected for evidence that the LME Group Conflicts of Interest Policy was subject to annual review and approval by the LME's directors during the Period Under Review.</li> <li>▶ We obtained the LME Group Personal Account Dealing Policy and inspected it for evidence that employees are prohibited from dealing in instruments that refer to the Benchmarks.</li> <li>▶ We obtained Management's confirmation that there have been no policy breaches of the LME Group Personal Account Dealing Policy, during the Period Under Review.</li> <li>▶ We obtained the LME's IT policies and procedures on change management, user access management, and other IT operations and inspected for evidence of the LME's response.</li> <li>▶ We obtained a sample of new user access requests and access change requests during the Period Under Review and inspected for evidence of the relevant approvals as documented in the request ticket and that user access was appropriately granted.</li> <li>▶ We obtained a sample of user access termination requests during the Period Under Review and inspected whether the user's access to the network, applications, operating systems and databases was</li> </ul>



2. QUALITY AND INTEGRITY OF PRICE ASSESSMENTS			
Principle	IOSCO Requirement	LME's Response	EY Evaluation Procedures
		The LME has controls in place to manage user access to systems utilised by the LME in the determination of the Benchmarks. These controls restrict access and changes to those systems and the information contained within (including LMElive, LMEbullion and LMEprice) by authorised personnel only.	disabled or revoked in a timely manner per internal policy.
2.15	<p>A PRA should ensure it has appropriate segregated reporting lines amongst its managers, assessors and other employees (as appropriate) and from the appropriate managers to the PRA's most senior level management and its Board (if any), designed to ensure:</p> <p>(a) the PRA satisfactorily implements the requirements listed in these principles; and</p> <p>(b) that responsibilities are clearly defined and do not conflict or cause a perception of conflict.</p>	<p><u>Control objective:</u> To have an organisational structure with clear reporting lines and job responsibilities with appropriate segregation of duties.</p> <p><u>Control procedures:</u> The LME has a clear organisational structure setting out reporting lines and responsibilities amongst management and all other LME employees who report directly or indirectly to the CEO of the LME.</p> <p>The reporting lines are separate from LME Clear and the rest of the LME Group.</p> <p>The LME roles and responsibilities are defined in a consistent manner for all persons involved in the provision of the Benchmarks to protect against conflict or perception of conflict across the LME Group.</p>	<ul style="list-style-type: none"> <li>▶ We obtained the LME organisational structure and inspected it for evidence of a clear and well-defined reporting structure separate from LME Clear and the Group.</li> <li>▶ We obtained the job description for the one new joiner to the Trading Operations team involved in the determinations of the Benchmarks and inspected it for evidence of clearly defined roles and responsibilities.</li> </ul>
2.16	A PRA should disclose to its stakeholders as soon as it becomes aware of a conflict of interest arising from the ownership of the PRA.	<p>The LME Conflicts of Interest Policy considers the ownership of the LME within the LME Group.</p> <p>See also the LME's response to Principle 2.15.</p>	<ul style="list-style-type: none"> <li>▶ Refer to response to Principle 2.15.</li> </ul>



2. QUALITY AND INTEGRITY OF PRICE ASSESSMENTS			
Principle	IOSCO Requirement	LME's Response	EY Evaluation Procedures
<b>Complaints</b>			
2.17	A PRA should have in place and publish written procedures for receiving, investigating and retaining records concerning complaints made about a PRA's assessment process.	<p><u>Control objective:</u> To ensure the LME has effective procedures for handling complaints.</p>	<ul style="list-style-type: none"> <li>▶ We obtained the LME's Complaints Procedure and Schedule 7 of the LPP Regulations from the LME's website and inspected them for evidence of the requirements described in the LME's response.</li> <li>▶ We obtained Management confirmation that there have been no complaints to the LME with respect to its Benchmarks published during the Period Under Review that could adversely affect the LME's compliance with the IOSCO Principles and adherence to benchmark methodologies.</li> </ul>
2.18	<p>Among other things, such complaint mechanisms should ensure that:</p> <p>(a) A PRA should have in place a mechanism detailed in a written complaints handling policy, by which its subscribers may submit complaints on whether a specific price assessment is representative of market value, proposed price assessment changes, applications of methodology in relation to a specific price assessment and other editorial decisions in relation to price assessment processes;</p> <p>(b) A PRA should ensure that its written complaints handling policy includes, among other things, the process and target timetable for handling of complaints;</p> <p>(c) Formal complaints made against a PRA and its personnel are investigated by that PRA in a timely and fair manner;</p> <p>(d) The inquiry is conducted independently of any personnel who may be involved in the subject of the complaint;</p> <p>(e) A PRA aims to complete its investigation promptly;</p> <p>(f) A PRA advises the complainant and any other relevant parties of the outcome of the investigation in writing and within a reasonable period;</p> <p>(g) There is recourse to an independent third party appointed by the PRA should a complainant be dissatisfied with the way a complaint has been</p>	<p><u>Control procedures:</u> The LME Complaints Procedures and the Policy on Complaints and Raising Concerns as set out in Schedule 7 of the LPP Regulations are available on the LME's website.</p> <p>These complaint procedures conform to the IOSCO Principles' requirements and cover all areas of complaints regarding the benchmark determination process. The procedures set out the process for registering a complaint, the conduct and timelines for investigation and reporting of the decision to the relevant person/entity who submitted the complaint and other relevant parties.</p> <p>Records of complaints and complaints-handling are retained for a minimum of 5 years in line with the LME's record retention policies.</p>	





2. QUALITY AND INTEGRITY OF PRICE ASSESSMENTS			
Principle	IOSCO Requirement	LME's Response	EY Evaluation Procedures
	<p>handled by the relevant PRA or the PRA's decision in the situation no later than six (6) months from the time of the original complaint;</p> <p>(h) All documents relating to a complaint, including those submitted by the complainant as well as a PRA's own record, are retained for a minimum of five (5) years.</p>		
2.19	<p>Disputes as to daily pricing determinations, which are not formal complaints, shall be resolved by the PRA with reference to its standard appropriate procedures. If a complaint results in a change in price, that should be communicated to the market as soon as possible.</p>	<p>The LME Price Dispute Procedure sets out how disputes that are not formal complaints are handled. The procedure covers both objections to provisional prices and price disputes. raised in relation to the determination of an LME Benchmark that has been published.</p> <p>For Official Prices and Closing Prices, the LME publishes "provisional" prices, which provides a window in which Members can object prior to the Benchmark being finalised and published via the LME's market data channels.</p> <p>Price disputes are those raised in relation to published Benchmarks. If the dispute results in an adjustment to the LME Benchmark, such adjustments would be made in accordance with the LME's error correction process which, in summary, would (where required) involve the LME publishing a notice to the market identifying the affected LME Benchmark and confirming the corrected value as soon as possible.</p>	<ul style="list-style-type: none"> <li>▶ We performed a walkthrough of the Official Prices and Closing Prices calculation and observed that the objection window is as per the defined methodology for Official Prices &amp; Closing Prices.</li> <li>▶ For a sample of objections, we noted that the objections were responded to the objecting member.</li> <li>▶ We obtained and inspected the LME Price Dispute Procedure to evidence the LME's response.</li> <li>▶ We obtained Management's confirmation that there were no pricing disputes during the Period Under Review.</li> </ul>
Cooperation with Regulatory Authorities			
2.20	<p>Audit trails, other documentation required by these principles and all other relevant information shall be readily available to market authorities in carrying out their regulatory duties and handed over without delay in accordance with applicable law.</p>	<p>Refer to the LME's response to IOSCO Principle 2.9 – 2.10. Any request from market authorities shall be dealt with in an appropriate manner.</p>	<ul style="list-style-type: none"> <li>▶ Refer to response to Principle 2.9 – 2.10.</li> </ul>



2. QUALITY AND INTEGRITY OF PRICE ASSESSMENTS			
Principle	IOSCO Requirement	LME's Response	EY Evaluation Procedures
<b>External Auditing</b>			
2.21	A PRA should appoint an independent, external auditor with appropriate experience and capability to review and report on the PRA's adherence to its stated methodology criteria and with the requirements of the principles. The first resulting audit should be completed within one year of the publication of these principles by IOSCO and its results published within fifteen months of the publication of the principles. Subsequent audits should take place annually and be published three months after each audit is completed with further interim audits carried out as appropriate.	The LME has appointed an independent external auditor with appropriate experience and capability to review and report on the LME's adherence to its stated methodology criteria and with the requirements of the IOSCO Principles. The LME is making this IOSCO Statement of Compliance on a voluntary basis in addition to requirement for audit as set out in Article 19 of Annex II of the BMR.	<ul style="list-style-type: none"> <li>▶ We were appointed by the LME to provide assurance over the LME's compliance with the IOSCO Principles and adherence with benchmark methodologies for the calculation of Benchmarks for the period from 1 January 2023 to 31 December 2023.</li> </ul>



## Appendix A: The Benchmarks

Benchmark Family	Metals	Prompt Dates	Currency
<b>Official Prices</b>	Aluminium Official Price	Cash, 3M, 3WD1, 3WD2, 3WD3	USD
	Aluminium Alloy Official Price	Cash, 3M, 3WD1	
	Aluminium US Premium Official Price	3WM1, 3WM4 and 3WM15	
	Aluminium West-Europe Premium Official Price	3WM1, 3WM4 and 3WM15	
	Aluminium East-Asia Premium Official Price	3WM1, 3WM4 and 3WM15	
	Aluminium South-East Asia Premium Official Price	3WM1, 3WM4 and 3WM15	
	Cobalt Official Price	Cash, 3M, 15M	
	Copper Official Price	Cash, 3M, 3WD1, 3WD2, 3WD3	
	NASAAC Official Price	Cash, 3M, 3WD1	
	Nickel Official Price	Cash, 3M, 3WD1, 3WD2, 3WD3	
	Lead Official Price	Cash, 3M, 3WD1, 3WD2, 3WD3	
	Tin Official Price	Cash, 3M, 15M	
	Zinc Official Price	Cash, 3M, 3WD1, 3WD2, 3WD3	
	Official Settlement Price for all metals (except Aluminium Premiums)	Cash	
Official Settlement Price for Aluminium Premiums	3WM1		



Benchmark Family	Metals	Prompt Dates	Currency
<b>Closing Prices</b>	Aluminium Aluminium Alloy Aluminium US Premium Aluminium West-Europe Premium Aluminium East-Asia Premium Aluminium South-East Asia Premium Cobalt Copper NASAAC Nickel Lead Tin Zinc	Cash, 3M, 3WM1 – 3WM24 inclusive Cash, 3M, 3WM1 – 3WM24 inclusive 3WM1-3WM15 inclusive 3WM1-3WM15 inclusive 3WM1-3WM15 inclusive 3WM1-3WM15 inclusive Cash, 3M, 3WM1-3WM15 Cash, 3M, 3WM1-3WM24 Cash, 3M, 3WM1-3WM24 Cash, 3M, 3WM1-3WM24 Cash, 3M, 3WM1-3WM24 Cash, 3M, 3WM1-3WM15 Cash, 3M, 3WM1-3WM24	USD
<b>Notional Average Prices<sup>4</sup></b>	Aluminium Aluminium Alloy Copper NASAAC Nickel Lead Tin Zinc	M1 – M64 M1 – M28 M1 – M64 M1 – M28 M1 – M28 M1 – M16 M1 – M16 M1 – M28	USD

<sup>4</sup> As per LME Notice 23/057 and with effect from 2 May 2023, the NAPs were no longer treated as benchmarks under the UK BMR.



Benchmark Family	Metals	Prompt Dates	Currency
<b>Monthly Average Settlement Prices</b>	Aluminium	Cash	USD
	Aluminium Alloy	Cash	
	Cobalt	Cash	
	Copper	Cash	
	NASAAC	Cash	
	Nickel	Cash	
	Lead	Cash	
	Tin	Cash	
Zinc	Cash		
<b>LPP Prices</b>	LBMA Platinum – AM/PM	Daily	USD
	LBMA Palladium – AM/PM	Daily	