



# LBMA Platinum and LBMA Palladium (LPP) Prices – Benchmark Statement

**THE LONDON METAL EXCHANGE**

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# 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 LPP Prices Benchmark Family.

## 2 General Information

### 2.1 Date of Original Publication

2 December 2019

### 2.2 Date of Last Update

20 October 2021

### 2.3 Review of Benchmark Statement

This Benchmark Statement is subject to periodic review by the LPP 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 specifically defined in this section shall have the meaning given to them in the Definitions.

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

“**Benchmark Pricing Function**” shall have the meaning set out in the LPP Prices Regulations;

“**LMEbullion**” has the meaning given to it in the LPP Prices Regulations;

“**LPMCL**” London Precious Metals Clearing Limited;

“**LPP Auction**” means an electronic auction administered by the LME by which buyers and sellers of Loco London platinum and palladium express an interest in the purchase and/or sale of the relevant metal;

“**LPP Methodology**” means the Price Discovery Process set out in the LPP Prices Regulations;

“**LPP Committee**” means the committee established by the LME pursuant to the LPP Prices Regulations;



**“LPP Prices Regulations”** means the LBMA Platinum and LBMA Palladium Prices Regulations and can be found on the LME Website;

**“Opening Price”** has the meaning given to it in the LPP Prices Regulations;

**“Order” or “Orders”** has the meaning given to it in the LPP Prices Regulations;

**“Participants”** has the meaning given to it in the LPP Prices Regulations; and

**“Proposed Price”** has the meaning given to it in the LPP Prices Regulations.

## 3 Benchmarks

### 3.1 Constituent Benchmarks

The Benchmark Family comprises LBMA Platinum and LBMA Palladium Prices as identified in the **LME List of Benchmarks** published on the LME Website. As at the last update to this Benchmark Statement, the Benchmarks were as follows:

- (a) LBMA Platinum Prices – AM and PM; and
  - (b) LBMA Palladium Prices – AM and PM,
- (collectively, the **“LPP Prices”**).

### 3.2 ISINs

ISIN codes have not been assigned to the LPP Prices.

## 4 Regulatory Considerations

### 4.1 Classification

The LPP 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).

The LPP Prices derive from the LPP Auctions. The LPP Prices utilise input data that is readily available to the LME via the LPP Auctions and includes the Opening Price and Orders. None of the inputs constitutes “regulated data”, nor are any of the constituent Benchmarks determined using contributions.

Annex II of the BMR applies to this Benchmark Family, as the LPP 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)

An auction process is the most appropriate pricing methodology for the LPP Prices because it directly reflects supply and demand dynamics at the completion of the LPP Auction.

The LPP Auction is a “blind auction” meaning that the aggregated bid/offer volumes are not disclosed to Participants during each auction round. Instead the aggregated bid/offer volumes are provided to Participants and the wider market at the end of each auction round.

The LPP Prices are published twice per day for the purpose of serving global markets, providing reference points that can be used across Asian, European and American time zones. The exact times of the AM and PM Auctions (09:45 and 14:00 London time) follow historical market conventions for platinum and palladium auctions.

## 4.3 Market Reality Measured

The LPP Prices measure the price of platinum and palladium, respectively, to be delivered to an unallocated bullion account Loco London following the conclusion of the relevant LPP Auction (AM or PM).

The LPP Auctions are run twice each Business Day, commencing promptly at 09:45 (AM Auction) and 14:00 (PM Auction) hours London time.

The LPP Prices are published in USD following the end of the relevant LPP Auction.

Users of the LPP Prices should be aware that the transactions of physical platinum/palladium that take place following each LPP Auction (referred to in the LPP Prices Regulations as “PP Trades”) are transacted at a price of \$0.50 above the LPP Price. This is known as the seller’s premium. Further information on the seller’s premium is set out in the LPP Prices Regulations.

## 4.4 Geographical Boundaries

The term “Loco London” refers to platinum and palladium that is physically held in an unallocated account in a vault in London operated by an LPMCL member. At the conclusion of an LPP Auction, over-the-counter (OTC) contracts are formed for the sale and/or purchase of platinum or palladium (as applicable) of such quantities and at such price as determined at the conclusion of the auction (and as more comprehensively set out in the LPP Methodology), with the platinum or palladium to be delivered into an unallocated account Loco London.

The LPP Prices therefore reflect regional supply and demand dynamics. As a result, the LPP Prices may be subject to distortions based on factors impacting the underlying regional supply and demand dynamics, including (but not limited to) changes in trade policy and government action.

## 4.5 Other Information

The LPP Price Regulations set out the rights and obligations of Participants. Participants may include Member Participants and Client Participants (both as defined in the LPP Prices Regulations) and whose interest may be reflected in the LPP Auction. Where required by the LPP Prices Regulations, Participants will be listed as a schedule to the regulations or on the



LME's website from time to time. The LPP Prices are also used by the wider market for platinum and palladium (including producers, traders and financial institutions).

## 5 Benchmark Methodology

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

The LPP Prices are determined through the LPP Auctions. The criteria and the procedure by which the LPP Prices are discovered in this format are publicly available in the LPP Prices Regulations. The LPP Methodology, which forms the corresponding Benchmark Methodology to this Benchmark Statement, is also set out within the LPP Prices Regulations.

### 5.2 Expert Judgement

No exercise of judgement or discretion (except in the setting of the Opening Price and any further Proposed Price, where applicable) is exercised by the LME in the determination of the LPP Prices in the ordinary course. However, as the LPP Prices are determined on the basis of a concluded LPP Auction, which itself is conducted on the basis of the supply and demand dynamics of the Participants, the Opening Price is subject to calibration through the operation of the LPP Auction.

In the event, however, that the minimum quorum requirement has not been met at the start of any LPP Auction for any reason other than a system outage, the Benchmark Pricing Function (being a sub-set of the LME's Trading Operations team) may use Expert Judgement to determine the LPP Prices. The Benchmark Pricing Function will determine the LPP Prices in these circumstances by reference to the most recent previously established price, adjusted for known recent or related transactions, known market events, and any other available data, information or known factors reasonably deemed relevant.

### 5.3 Assessors

Assessors are subject to extensive competence and training requirements. Amongst other things, these requirements are designed to ensure the consistency of Benchmark determinations, in particular in determining the Opening Price and any further Proposed Prices, where applicable, during an LPP Auction.

Any exercise of Expert Judgement in relation to an LPP Price is subject to evaluation as part of a "4-eyes" process. This check is conducted by a different member of Trading Operations personnel to the member who has determined the price.

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

The LPP Prices are determined through the process of an LPP Auction, whereby the Participants input Orders at a particular Proposed Price into LMEbullion. The outcome of the LPP Auction determines the price at which OTC contracts forming from the LPP Auction will be settled. As a result, errors are unlikely to arise in relation to the input data for the Benchmarks. The LPP Auction also works on the basis that once a round of the LPP Auction or the LPP Auction itself has completed, neither that round nor the LPP Auction can be rerun.

However, if at any time during a round of the LPP Auction a Participant requires a short pause to recalculate its interest, and where the LPP Prices Regulations permits them to do so, the



Participant may use the flag functionality within LMEbullion. On issuing a 'flag', the LPP Auction will pause and the Participant will have a period of 30 seconds to amend their Order, after which the LPP Auction will continue. Further information on flags, and which Participants are permitted to use them, is set out in the LPP Prices Regulations.

In the event that the LME becomes aware that an inaccurate price is published to the market, 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.

## 5.5 Pricing Disputes

Pursuant to paragraph 17 of Annex II of the BMR, users of the constituent Benchmarks may dispute a daily pricing determination. Any such dispute must be submitted to the LME in writing to [Benchmark.Pricing.Function@lme.com](mailto:Benchmark.Pricing.Function@lme.com) and must be received within thirty (30) minutes of publication via the LME's market data channels of the LPP Price that is the subject of the dispute. The user must include sufficient information to enable the LME to properly consider the dispute, including (but not limited to) the specific LPP Price that is the subject of the dispute, and the reason for the dispute.

## 6 Limitations of the Benchmarks

The LPP Prices will only directly reflect the Orders input into the LPP Auction by Participants. However, in addition to their own interest, the Orders input by Participants may include client interest from different sectors of the market (for example the banking sector and physical metal sector), therefore adequately reflecting the supply and demand dynamics of the wider market.

In the event that the minimum quorum requirement (detailed in the LPP Prices Regulations) has not been met at the start of any LPP Auction for any reason other than a system outage, the LME Trading Operations team is permitted to use Expert Judgement to determine the LPP Prices. This will be with reference to the most recent previously established price, adjusted for known recent or related transactions, known market events, and any other available data, information or known factors reasonably deemed relevant by Trading Operations.

In the event of a systems outage, the LME has in place phone-based alternative auction process that can be used. In the unforeseen circumstances that this alternative process cannot be used and the LPP Auction cannot therefore be conducted, a "no-fix" shall be declared in respect of that LPP Auction.

## 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, one or more of the Benchmarks within this Benchmark Family.

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



The LME's 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.

## 8 ESG Factors

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

#### SECTION 1 – CONSIDERATION OF ESG FACTORS

<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.	LPP 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. The ESG factors shall be disclosed at an aggregated weighted average value at the level of the family of benchmarks.	
(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.
<b>Item 7.</b> 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**

(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:

(a) Forward-looking year-on-year decarbonisation trajectory;	Not applicable.
(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.  Implementation of the requirements of Commission Delegated Regulation (EU) 2020/1816.

## 9 Document Change History

Version	Date
1.0	02/12/2019
1.1	19/02/2020
1.2	15/01/2021
1.3	18/10/2021
1.4	20/10/2021



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