



LME Benchmark Changes and Cessation Procedure

1 Overview of the Procedure

- 1.1 The London Metal Exchange Limited (the “LME”) is the Administrator of a number of Benchmarks. More information about the LME’s Benchmarks can be found on the LME’s website at [\[https://www.lme.com/en-GB/About/Regulation/European-Benchmarks-Regulation\]](https://www.lme.com/en-GB/About/Regulation/European-Benchmarks-Regulation).
- 1.2 This Procedure sets out the steps that the LME will take in its capacity as Administrator pursuant to article 28(1) of the European Benchmarks Regulation (Regulation (EU) 2016/1011) (“BMR”), in relation to any proposal to: (1) make a material change to; or (2) cease to provide, a Benchmark (other than the LPP Prices).
- 1.3 The Pricing & Valuations Committee has overall responsibility for this Procedure, and shall be responsible for its periodic review and, where required, update of it.

2 Defined Terms

- 2.1 Any capitalised words not defined in this Procedure shall have the meaning given to them in the document entitled “*Benchmark Administration – Definitions*” and available publicly at [\[https://www.lme.com/en-GB/About/Regulation/European-Benchmarks-Regulation\]](https://www.lme.com/en-GB/About/Regulation/European-Benchmarks-Regulation) with the exception of the term “Benchmark”. For the purposes of this Procedure, the term “Benchmark” shall exclude the LPP Prices. Changes to, and cessations of, one or more of the LPP Prices shall be addressed in the *LPP Prices Regulations*.

3 Changes to a Benchmark

- 3.1 The LME may, from time to time, seek to make changes to its Benchmarks. A proposal to make such a change may originate from a range of sources, including (on a non-exhaustive basis) as a result of the LME’s periodic review of its Benchmark Methodologies, in the light of feedback from Benchmark users on the operation of a Benchmark, or in light of industry or regulatory developments.
- 3.2 Examples of the circumstances in which the LME may consider making a change to a Benchmark Methodology include (on a non-exhaustive basis) the following:
 - (a) the LME no longer considers the methodology used to determine the Benchmark to accurately reflect the economic or market reality that the Benchmark is intended to measure;
 - (b) market feedback (whether formal or informal) suggests that the methodology is unreflective of the economic or market reality that the Benchmark is intended to measure, or may lead to inaccurate benchmark values being generated;
 - (c) additional, or different, pricing requirements are needed by LME Clear in connection with a Benchmark that is utilised in the CCP risk management or margining processes;
 - (d) the LME is no longer in receipt of third-party data which is needed to calculate the Benchmark;
 - (e) there is a change in the provider of clearing services to the LME; and
 - (f) a compulsory change is otherwise required to facilitate compliance with the LME’s regulatory obligations.
- 3.3 Where a proposed change is identified as being material, the LME will follow the steps set out in this Procedure. Where a change is considered to be non-material, the LME may elect to follow



the steps set out in this Procedure. The Pricing & Valuations Committee shall determine whether a proposed change is material or non-material.

- 3.4 Where a change is material, but to follow the steps set out in this Procedure would be inconsistent with the LME's regulatory obligations as the operator of a trading venue, the LME shall, in its sole discretion, elect not to follow this Procedure.
- 3.5 Whether a proposed change is material shall be a matter for the LME to determine in its sole discretion. In making this determination, the LME will have regard to a range of factors. The factors to be considered will depend on the specific proposal, and on the relevant circumstances but could include (on an illustrative, non-exhaustive basis) the extent of the use (in a BMR sense) of the relevant Benchmark and the relative maturities of the products referencing the Benchmark, and the anticipated operational and regulatory impact on users of the Benchmark were the proposed change to be made. In order to assess potential materiality, the LME may seek informal views from Benchmark users.

4 Cessation of a Benchmark

- 4.1 The LME may, from time to time, consider the cessation of a Benchmark. This could occur, for example, where the LME proposes to suspend and/or de-list a particular contract that is admitted to trading on the LME, and that contract provides the input data for, or otherwise utilises, the relevant Benchmark.
- 4.2 Where the LME proposes to cease to provide a Benchmark, it will typically follow the steps set out in this Procedure. However, the LME shall not be obligated to follow this Procedure where to do so would conflict with its regulatory obligations as the operator of a trading venue (including, without limitation, where giving notice of cessation of a Benchmark would cause, or risks causing, a disorderly market).

5 Consultation Process

- 5.1 Subject to paragraphs 3.4 and 4.2 above, the LME will consult with Benchmark users in relation to a proposed change to a Benchmark, or a proposed cessation of a Benchmark, through a consultation notice sent to Members and users, and published on the LME website.
- 5.2 The consultation notice shall, as a minimum, set out:
 - (a) the rationale for the proposed change or cessation, including, in the case of a material change, the LME's assessment of whether the representativeness of the Benchmark, and its appropriateness as a reference for financial instruments and contracts, would be put at risk if a proposed material change were not made;
 - (b) sufficient information to allow users of the relevant Benchmark(s) to assess the proposal, including, in the case of a material change, the key elements of the Benchmark Methodology that would, in the LME's view, be affected by the proposed material change; and
 - (c) details regarding the process by which users may provide feedback on the proposed changes, and the end date of the consultation.
- 5.3 The LME will typically allow a consultation period of four weeks, where practicable. In certain exceptional circumstances, including (on a non-exhaustive basis) where a compulsory change



is required immediately to facilitate compliance with the LME's regulatory obligations, the LME may, in its discretion:

- (a) elect to conduct the consultation over a shorter period; or
- (b) elect not to follow this Procedure.

5.4 Following the end of a consultation, the LME will give due consideration to any feedback received from users.

5.5 The LME will subsequently publish a further notice setting out:

- (a) the outcome of consultation, including addressing users' comments (where appropriate, and not subject to confidentiality or other non-disclosure obligations) and the LME's response to such comments;
- (b) the actions that the LME has determined shall be taken;
- (c) applicable implementation dates;
- (d) where applicable, relevant Benchmark Methodologies and Benchmark Statements;
- (e) information regarding any other implementation measures that the LME shall take in connection with the relevant change or cessation (including, for example, the suspension of any contracts admitted to trading on the LME that reference the affected Benchmark and associated actions to be taken to facilitate the closing out of any open positions).

6 LME's Regulatory Obligations

6.1 Notwithstanding any provision in this Procedure, the LME shall at all times be entitled to take any actions necessary to comply with its regulatory obligations as the operator of a trading venue, including the requirement to ensure the orderly functioning of its markets.



Document Change History

Date	Version	Author	Summary of Changes
2 December 2019	1.0	LME	Initial version

