



Physical Market Committee

Terms of Reference

**THE LONDON METAL EXCHANGE
PHYSICAL MARKET COMMITTEE (“Committee”)
TERMS OF REFERENCE**

STATUS

- 1.1 The Committee is a sub-committee of the User Committee (the “UC”) of The London Metal Exchange (“Exchange” and “the LME”). The UC is a sub-committee of the Board of the LME (the “Board”).

PURPOSE

- 2.1 The primary purpose of the Committee is to advise the Exchange, via the UC, on strategic issues relating to the global physical metals industry and the Exchange, including but not limited to warehousing, physical delivery, product developments and global physical market development

COMPOSITION

Chair and Vice Chair

- 3.1 The Chair will be appointed and reappointed by the UC upon recommendation of the Exchange Executive (being the Exchange executive committee or other representatives of the Exchange). The Chair shall have no material interest in the business or businesses of the LME. The Chair will sit also on the UC and the Warehousing Committee (“WHC”) in an *ex officio* basis.
- 3.2 The Chair may, if considered appropriate, appoint one of the other Committee members to act as Vice Chair, following consultation with the UC.
- 3.3 In the event of the absence of the Chair (or Vice Chair if applicable), the Chair may appoint an Acting Chair (which could be a representative of the Exchange Executive) for the duration of the meeting.

Membership

- 3.4 The Committee shall comprise balanced and appropriate representation from those involved in the physical metals industry.
- 3.5 Board directors, members of the Exchange Executive, or relevant external third parties may be invited to attend all or part of any meeting as and when appropriate at the discretion of the Chair.
- 3.6 The Committee’s members shall be nominated by the Exchange Executive and appointed by the UC.
- 3.7 One member of the Committee shall be nominated by the WHC from its membership, and

appointed by the UC.

- 3.8 Members of the Committee including the Chair and Vice Chair, shall generally be appointed for three years per term, and shall be eligible for reappointment by the UC with a maximum term of nine years' continuous service. In the event that the Chair feels that an individual should serve more than nine years, the Chair shall make an application to the UC. The application shall contain the reasons for, and the proposed period of, such extension to the individual's term of service. The UC shall be entitled to exercise discretion as to whether or not that individual's term of service should be extended.
- 3.9 The Board may at its sole discretion, or upon the recommendation of the Exchange Executive or the UC, request that any member of the Committee (including the Chair) resign from the Committee at any time, and such person shall comply with such request. No reason or period of notice need be given by the Board.
- 3.10 Should a Committee member cease to be employed by the employer by whom they were employed at the time of their appointment, then they shall be required to tender their resignation from the Committee (unless representatives of the Exchange Executive and the Chair declare otherwise).
- 3.11 Should two or more Committee members become employed by the same employer or the same group as a result of a corporate transaction or otherwise (except for the reasons covered by clause 3.10), the UC, in consultation with the Chair, shall determine which member should remain on the Committee.
- 3.12 Committee members are prohibited from appointing alternates.

Secretary

- 3.13 The LME Company Secretary or his/her nominee shall be the Secretary of the Committee and shall be entitled to attend meetings of the Committee.

COMMITTEE RESPONSIBILITIES

- 4.1 The Committee is responsible for:
 - 4.1.1 representing the interests of the physical metals trade and industry on issues of strategic importance to the industry and the Exchange;
 - 4.1.2 considering, from a market user perspective, and at the discretionary request of the Exchange Executive, proposals for listing or delisting LME good delivery locations;
 - 4.1.3 advising the UC, and (in the ordinary course, via the UC) the Board, on emerging business needs and trends relating to the physical market; and
 - 4.1.4 advising the UC, and (in the ordinary course, via the UC) the Board, on issues

related to the physical metals industry and the Exchange that the Board delegates the Committee to look into from time to time.

- 4.2 Subject to paragraphs 7.3 and 7.5, the Committee shall advise, and report to, the UC; the UC shall report such advice to the Board in accordance with its terms of reference.
- 4.3 The Committee shall be given sufficient resources to enable it to perform its functions, including the resources for seeking independent legal and professional advice.

FREQUENCY OF MEETINGS

- 5.1 The Committee shall meet at least quarterly and more frequently when appropriate.
- 5.2 Committee meeting dates shall be agreed in advance affording adequate notice for maximum participation.
- 5.3 The agenda will be agreed in advance between the Chair and the Exchange Executive (taking into account the requirements of 8.3 below).
- 5.4 Papers prepared for the Committee may be sent (by post, fax, email or other medium) between meeting dates and decisions or recommendations solicited and received between meetings, where necessary, to avoid delays in the decision-making processes.
- 5.5 Minutes will be taken for all meetings by the Secretary of the Committee or his/her nominee and minutes of the preceding meeting shall be approved by the Committee at each meeting. Once approved, the minutes will be authenticated by the Chair or the Acting Chair as a conclusive record of the Committee proceedings at that meeting.
- 5.6 Failure to attend three consecutive Committee meetings will result in the withdrawal of Committee membership, subject to the discretion of the Committee Chair and the UC.

QUORUM AND MAJORITY DECISIONS

- 6.1 To be quorate, the Committee must have at least half (50%) of its members present at its meetings.
- 6.2 Recommendations of the Committee shall be decided by a majority of the members of the Committee being in favour.

REPORTING RESPONSIBILITIES

- 7.1 The Chair shall report formally to the UC (via their seat on the UC) on its proceedings at each meeting on all matters within the Committee's duties and responsibilities.
- 7.2 The Chair shall represent the views of the Committee to the WHC (via their seat on the WHC), and shall report the proceedings of the WHC back to the Committee in collaboration with the WHC representative.

- 7.3 If the Chair feels it is appropriate to report matters directly to the Board, they shall be empowered to raise such issues directly to the Chair of the LME.
- 7.4 The Committee shall make whatever recommendations to the UC it deems appropriate on any area within its remit where action or improvement is needed.
- 7.5 The UC has the right to accept, reject or modify any recommendations made to it. In the event that a Committee recommendation is rejected by the UC, the Committee Chair has the right to appeal to the Board.

CONFIDENTIALITY, CONFLICTS OF INTEREST AND COMMERCIALLY SENSITIVE INFORMATION

- 8.1 Committee members must ensure that, unless outside consultation is specifically agreed, all matters discussed and all materials and data made available to them in respect of their Committee-related activities are kept confidential at all times. Further, Committee members must not abuse their Committee status and must not be involved in any decision-making processes in respect of which they may have a conflict of interest. Where Committee members think they may have a conflict of interest in relation to any matter to be discussed at a Committee meeting or that comes under discussion at a Committee meeting, they must absent themselves from the part of the meeting at which that matter is discussed and the minutes of the meeting must record the absence. Further, where the Chair feels that there may be a conflict of interest in respect of any matter to be discussed at a meeting or that comes under discussion at a Committee meeting and it is appropriate for a Committee member to leave all or part of a meeting, the Chair shall ask the member to leave the meeting. No reason need be given. Members that may have a conflict of interest shall receive minutes of the meeting with the matter in respect of which they may have a conflict of interest redacted from the copy of the minutes they receive.
- 8.2 Without prejudice to paragraphs 3.9 and 8.1, the Board may request that a Committee member (including the Chair) resigns from the Committee where the Board has reason to believe that such Committee member has an interest or interests of any form which may conflict with the interests of the Exchange or with any company within the HKEX Group, and the Committee member shall comply with such request. No reason need be given.
- 8.3 The Exchange shall observe the requirements relating to the management of inside information and commercially sensitive information as prescribed by the Exchange and notified to the Committee from time to time. In practice, this may mean that consideration of certain items which may be considered to be inside information or commercially sensitive information shall be withheld from meetings of the Committee until such information is within the public domain.

OTHER MATTERS

- 9.1 The Committee shall annually review its own performance, constitution and terms of reference to ensure it is operating effectively and shall recommend any changes to the UC

for approval.