

Ref: London Platinum Price and London Palladium Price (“LPP Prices”)
Date: 22 January 2015
Subject: Control Framework for LPP Prices

Summary

1. This Control Framework summarises the 3 tiers of oversight and supervision of the LPP Prices Discovery Process. It is intended that the 3 tiers of oversight and supervision will ensure compliance with the LPP Prices Regulations and thereby:
 - i) maintain compliance with the IOSCO Principles for Financial Benchmarks, published in July 2013; and
 - ii) minimise the risk of market manipulation.
2. This Control Framework also summarises the other main policies and procedures impacting on the oversight and supervision of the LPP Prices Discovery Process.

Background

3. Schedule 5 paragraph 3.6 of the LPP Prices Regulations, to which all participants in the LPP Price Discovery Process must adhere, requires that:

The Oversight Committee shall prepare and publish a summary of the framework as adopted by LME so that it is accessible by relevant market users and regulatory authorities. If updates or revisions to the control framework are adopted by LME, the Oversight Committee should take steps to ensure that any such updates or revisions are appropriately publicised.

4. For the purposes of this Control Framework, "LPP Prices Discovery Process" means the process for discovering the LPP Prices through the input of orders by member participants, conducted in accordance with Schedule 1 of the LPP Prices Regulations (available on the LME website).
5. This Control Framework document and any subsequent updates or revisions to it shall be published on the LME website.

Objectives of Control Framework

6. LME's control framework for the purposes of the LPP Prices Discovery Process is designed to:



- i) monitor, manage and address conflicts of interest;
- ii) ensure the integrity and quality of Benchmark determination including through:
 - a. arrangements to promote the integrity of Benchmark inputs, including adequate due diligence on input sources and maintaining the quality of the benchmark methodology;
 - b. arrangements to ensure accountability and complaints mechanisms are effective; and
 - c. providing robust infrastructure, policies and procedures for the management of risk, including operational risk.
- iii) govern whistleblowing procedures; and
- iv) ensure appropriate expertise through:
 - a. ensuring Benchmark determinations are made by personnel who possess the relevant levels of expertise, with a process for periodic review of their competence; and
 - b. staff training, including ethics and conflicts of interest training, and continuity and succession planning for personnel.

Tier 1: Benchmark Pricing Function

- 7. The Benchmark Pricing Function (“BPF”) shall monitor and oversee the day to day running of the LPP Prices Discovery Process.
- 8. The chair of the LPP Prices Discovery Process shall be a member of the BPF who will oversee the LPP Prices Discovery Process on the premises of the LME.
- 9. The chair shall, by exercising his judgment in good faith, not commence the LPP Prices Discovery Process until the required quorum of participants has been achieved.

Tier 2: Benchmark Oversight Function

- 10. The Benchmark Oversight Function (“BOF”) is responsible for monitoring the LPP Prices Discovery Process and the actions of member participants. The BOF discharges four main functions:
 - i) supervision of the LPP Prices Discovery Process;
 - ii) reporting and monitoring of the participants and the LPP Prices Discovery Process;
 - iii) the participant visit programme and market conduct discussions with participants; and



iv) investigations in accordance with the disciplinary process in the LPP Regulations.

11. On a quarterly basis, market surveillance staff from the BOF will meet with members of BPF to discuss the operation of the LPP Prices Discovery Process and areas of concern and improvement.

12. Market surveillance staff from BOF will be able to join the BPF during the LPP Prices Discovery Process or assist the BPF, if called upon by the BPF to do so.

Tier 3: Oversight Committee

13. The Oversight Committee will perform oversight and governance in respect of all matters set out in the LPP Prices Regulations.

14. The Oversight Committee shall be composed of at least three senior individuals from the LME to serve as LME members on the Oversight Committee. These individuals will be appointed by the LME's Executive Committee. Each member participant may also nominate a qualified individual to act as a representative on the Oversight Committee. The London Bullion Market Association is entitled to nominate an observer to attend meetings of the Oversight Committee.

15. The Oversight Committee shall devise a process for reviewing the conduct of the LPP Prices Discovery Process with the objective of ensuring that the LPP Prices remain accurate, robust and reliable.

16. The Oversight Committee shall seek to promote the observance and implementation of the LPP Prices Regulations and shall devise a process for overseeing and enforcing Participants' compliance with the LPP Prices Regulations.

LME Policy on Conflicts of Interest

17. The LME maintains a policy on conflict of interests that requires the identification, disclosure, management and avoidance of conflicts of interest. The policy applies to all directors, employees and senior management of the LME.

18. The policy on conflict of interests identifies requirements that the directors, employees and senior management must follow in situations where a person given responsibility for making a decision or advising the LME has interests that conflict with those of LME, its members or participants.

19. The policy on conflict of interests also requires senior management to develop procedures to assist senior management and employees to identify when such conflicts of interests occur at employee level, and to resolve them.

Complaints Procedure

20. In the event that the participant has any complaint about the conduct of LME or the performance of LME's obligations under these LPP Prices Regulations, the complaints



procedures set out in Schedule 7 (Policy on Complaints and Raising Concerns) of the LPP Prices Regulations shall apply.

LME Policy on Whistleblowing

21. The LME maintains a whistleblowing policy so that its staff have a means by which to raise concerns regarding unlawful or inappropriate practices related to the LPP Prices Discovery Process.
22. The whistleblowing policy contemplates the hearing and assessment of whistleblowing disclosures that have been directed to the LME.

LME Personnel and Training

23. The LME Benchmark Oversight Function process manual sets out the key roles of the personnel involved in oversight of the LPP Prices Discovery Process and the names of individuals assigned to those key roles.
24. LME personnel will be trained and tested annually to ensure their skillset remains relevant. The training shall, amongst other things, confirm the LME personnel's awareness of policies relating to conflicts of interest, whistleblowing and anti-corruption.
25. The LME maintains a process for succession planning and the human resources function of the LME reviews grading and promotion of certain roles on at least an annual basis.