

To: All members

Ref: 22/279

Classification: Disciplinary

Date: 7 December 2022

Subject: **DISCIPLINARY ACTION: UBS AG**

Summary

1. This Notice records a settlement between The London Metal Exchange (the “**LME**”) and Category 2 Member UBS AG (“**UBS**”) which includes a financial penalty of £90,000.

Background

2. Following an investigation (the “**Investigation**”) by the LME, the LME and UBS have reached a settlement pursuant to Regulation 14.45 Part 2 “Membership, Enforcement and Discipline” of the LME Rulebook (the “**Rulebook**”). The settlement has been reached on the terms outlined below. The Enforcement Committee of the LME has approved the settlement.
3. The alleged acts of misconduct against UBS relate to Regulation 12.6(b) of Part 2 “Membership, Enforcement and Discipline” (“**Part 2**”) of the Rulebook, which requires that a Member shall organise and control its internal affairs in a responsible and effective manner, with appropriate and adequate risk management systems, and Regulation 12.6(k) of Part 2 of the Rulebook which requires that a Member shall deal with the Exchange in an open and cooperative manner and keep the Exchange promptly informed of anything concerning the Member which might reasonably be expected to be disclosed to it.
4. The Investigation commenced following the identification by the LME of potentially suspicious order book trading activity that had been routed to the LME by a client of UBS through direct electronic access (“**DEA**”). During the course of the Investigation, the LME concluded that between December 2018 and July 2019 (“**Period 1**”), UBS failed to organise and control its internal affairs responsibly and effectively with appropriate and adequate risk management systems in order to detect, deter, and deal with potential instances of market abuse which could have been routed by its clients to the LME via DEA. In the view of the LME, UBS failed to put in place manual or automated surveillance arrangements during Period 1 to detect, deter, and deal with potential instances of market abuse which could have been routed by its clients to the LME via DEA.
5. In addition, during the course of the Investigation, the LME concluded that between July 2019 and June 2020 (“**Period 2**”) (Period 1 and Period 2 together, the “**Relevant Period**”), UBS failed to inform the LME that when UBS put in place an automated surveillance system in respect of its LME business in July 2019, there was a data quality feed issue with the automated surveillance system which restricted the ability of UBS to detect, deter and deal with potential instances of market abuse which could have been routed to the LME via DEA (the “**Data Issue**”). The LME learned about the Data Issue approximately 11 months after the Data Issue had occurred and after the Investigation had commenced. The LME is aware that UBS has conducted remediation work on the Data Issue, which was completed by May 2021.
6. As a result of these failures, the LME considers that UBS breached its obligations pursuant to Regulation 12.6(b) of Part 2 of the Rulebook and Regulation 12.6(k) of Part 2 of the Rulebook.
7. The LME understands that following the Relevant Period, UBS has undertaken remedial action to enhance its risk management systems and controls to detect, deter and deal with potential instances of market abuse being routed to the LME via DEA.

Settlement

8. The LME and UBS agreed a settlement in which UBS will pay a financial penalty of £90,000.



Adherence to the Rulebook

9. The LME reminds Members of the importance of having in place appropriate and adequate risk management systems in order to detect, deter, and deal with trading activity which is potentially indicative of market abuse.
10. The LME also reminds Members of the importance of dealing with the Exchange in an open and cooperative manner and keeping the Exchange promptly informed of anything concerning the Member which might reasonably be expected to be disclosed to it.

Peter Mason
Head of Market Surveillance

cc. Board Directors

Enforcement Committee