

To: All members

Ref: 26/046

Classification: Disciplinary

Date: 16 February 2026

Subject: **DISCIPLINARY ACTION: NANHUA FINANCIAL (UK) CO LIMITED**

Summary

1. This Notice records a settlement between The London Metal Exchange (the “**LME**”) and Category 2 Member, Nanhua Financial (UK) Co Limited (“**NHF**”) which includes a financial penalty of £115,000.
2. Terms not otherwise defined in this Notice have the same meaning as given to them in the LME Rulebook (the “**Rulebook**”).

Background

3. Following an investigation by the LME (the “**Investigation**”), the LME and NHF have reached a settlement pursuant to Regulation 14.69 of Part 2 “Membership, Enforcement and Discipline” of the Rulebook and the settlement has been reached on the terms outlined below. The Enforcement Committee has approved the settlement.
4. The alleged Act of Misconduct against NHF relates to a minor breach of Regulation 12.6(b) of Part 2 “Membership, Enforcement and Discipline” of the Rulebook¹, 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.
5. The Investigation commenced following NHF’s receipt of a “Failure to Comply” audit rating which was issued by the LME’s Member Audit Programme in June 2021 as a result of a thematic audit that the LME had commenced into several of its Members (of which NHF was one) in 2020 regarding the surveillance systems and controls that each of the Members had in place. The Investigation further assessed the systems and controls that NHF had in place to detect, deter and deal with suspected instances of market abuse being routed to the LME between the period 2 June 2020 and 27 November 2020 (the “**Relevant Period**”). The LME considers that, in respect of the Relevant Period, NHF:
 - a) failed to produce sufficient evidence of adequate risk assessment arrangements to identify the market abuse risk that it faced in relation to the business that it conducted on the LME market;
 - b) failed to produce sufficient evidence of having an adequate process in place to review and record alert calibrations in its surveillance system; and
 - c) did not have adequate written procedures in place for surveillance staff to follow when analysing alerts and escalating suspected abusive activity.

¹ The LME notes that when the Investigation commenced, Regulation 12.6(b) of Part 2 of the Rulebook stated that Members must “organise and control its internal affairs in a responsible and effective manner, with appropriate and adequate risk management systems”, however this Regulation has since been superseded by Regulation 12.6(c) of Part 2 of the Rulebook which came into force on 2 April 2024.



It is not alleged that any suspected instances of market abuse went undetected by NHF during the Relevant Period.

Settlement

6. The LME and NHF agreed a settlement in which NHF will pay a financial penalty of £115,000, reflecting the minor nature of the alleged Act of Misconduct².

Adherence to the Rulebook

7. 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.

Joe Morrison

Head of Market Surveillance

cc: Board directors
 Enforcement Committee

² See LME Notice 21/107: "LME: Indicative Penalties", paragraphs 13-15.