LME
An HKEX Company

To: All members

Ref: 24/263

Classification: Disciplinary

Date: 17 October 2024

Subject: **DISCIPLINARY ACTION: ABN AMRO CLEARING BANK N.V.**

Summary

1. This Notice records a settlement between The London Metal Exchange (the "**LME**") and Category 2 Member, ABN AMRO Clearing Bank NV ("**ICS**") which includes a financial penalty of £230,000.

Background

2. Following an investigation by the LME (the "**Investigation**"), the LME and ICS have reached a settlement pursuant to Regulation 14.69 of Part 2 "Membership, Enforcement and Discipline" of the LME Rulebook (the "**Rulebook**"), without ICS admitting or denying any of the alleged breaches or the matters that formed part of the Investigation. The settlement has been reached on the terms outlined below. The Enforcement Committee has approved the settlement.

3. The alleged acts of misconduct against ICS relate to Regulation 12.6(b) of Part 2 "Membership, Enforcement and Discipline" of the Rulebook[1], 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.

4. The Investigation commenced following ICS' receipt of a "Failure to Comply" audit rating which was issued by the LME's Member Audit Programme in May 2021 as a result of a thematic audit that the LME had commenced into several of its Members (of which ICS 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 ICS had in place to detect, deter and deal with suspected instances of market abuse being routed to the LME between the period 3 January 2018 and 30 November 2020 (the "**Relevant Period**"). The LME considers that, in respect of the Relevant Period, ICS:

   a) failed to produce adequate evidence of processes and procedures being in place regarding market abuse monitoring, including adequate risk assessment arrangements to identify the market abuse risks that it faced in relation to the business that it conducted on the LME market;

   b) failed to adequately document the process it used to calibrate its surveillance system to effectively detect potentially suspicious activity that it routed to the LME via direct electronic access;

   c) failed to have an adequate process in place to review and record alert calibrations in its surveillance system;

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[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.

d) failed to have adequate procedures regarding the identification and investigation of potential instances of market abuse; and

e) failed to produce adequate training records in relation to the training of its staff with regard to the identification and investigation of potential instances of market abuse for its LME business.

5. As a result of these inadequacies, the LME considers that, during the Relevant Period, ICS failed to maintain an adequate control environment with regard to the detection and investigation of trading activity which was indicative of potential market abuse and therefore breached Regulation 12.6(b) of Part 2 “Membership, Enforcement and Discipline” of the Rulebook.

6. The LME understands that, following the Relevant Period, ICS implemented a series of enhancements to its market abuse risk management systems and controls.

Settlement

7. The LME and ICS agreed a settlement in which ICS will pay a financial penalty of £230,000.

Adherence to the Rulebook

8. 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
Interim Head of Market Surveillance

cc: Board directors
Enforcement Committee