LME
An HKEX Company

To: All members

Ref: 22/175

Classification: Disciplinary

Date: 8 July 2022

Subject: **DISCIPLINARY ACTION: R.J. O'BRIEN LIMITED**

## Summary


1. This Notice records a settlement between The London Metal Exchange (the "**LME**") and Category 2 Member R.J. O'Brien Limited ("**RJO**") which includes a financial penalty of £175,000.


## Background

2. Following an investigation (the "**Investigation**") by the LME, the LME and RJO 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 RJO relate to Regulation 12.6(b) of Part 2 "Membership, Enforcement and Discipline" 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.

4. The Investigation commenced following the identification by the LME of suspicious order book trading activity that had been routed to the LME by a client of RJO through direct electronic access ("**DEA**"). During the course of the Investigation, the LME concluded that between at least 8 August and 12 September 2018 (the "**Relevant Period**"), RJO 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, and during at least the Relevant Period, RJO:

   a) had inadequate written policies and procedures to implement and review alert calibrations in their surveillance systems;

   b) failed to have adequate risk assessment arrangements in place to identify and assess the market abuse risks that it faced in relation to the business that it conducted on the LME market;

   c) had inadequate written policies and procedures regarding the identification and investigation of potential instances of suspected market abuse; and

d) failed to adequately train its staff with regard to the identification and investigation of potential instances of suspected market abuse.

5. As a result of these failures, the LME considers that during at least the Relevant Period, RJO failed to maintain an appropriate control environment with regard to the detection and reporting 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, RJO has implemented a series of changes to their risk management systems and controls and replaced its surveillance system.

**Settlement**

7. The LME and RJO agreed a settlement in which RJO will pay a financial penalty of £175,000.

**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.

9. The LME reminds Members of their obligation, pursuant to Regulation 13.5 of Part 2 “Membership, Enforcement and Discipline” of the Rulebook, to co-operate fully with the Exchange during an investigation.

**Peter Mason**

**Head of Market Surveillance**

cc. Board Directors

Enforcement Committee