

To: All LME Clear Members

Date: 03 03 2023

Ref: 23-007

Classification: General Updates

Subject: **LME CLEAR RESPONSE TO BANK OF ENGLAND UPDATE STATEMENT**

Summary

1. This circular provides LME Clear's (LMEC) response to the Bank of England's (the Bank) update statement issued on 3 March 2023.

LME Clear response

2. The Bank has carried out a review of the operation of LMEC during the period following the nickel events in March 2022. The review was conducted with the assistance of an identified "skilled person". This follows the publication of the findings from the Oliver Wyman independent review, which was commissioned by LMEC and the London Metal Exchange (the LME).
3. LMEC acknowledges that the Bank expects LMEC to strengthen its governance arrangements, increase independence in management and governance at the CCP, and improve on its wider risk management capabilities.
4. To this end, LMEC intends to incorporate all additional findings from the Bank's feedback into the implementation plan that LMEC has already announced. This is to be communicated at the end of Q1 2023, setting out how LMEC proposes to deliver against the recommendations of the Oliver Wyman review, and outlining, in addition, the initiatives that are already underway to strengthen its business and markets. LMEC welcomes the Bank's intention to appoint a skilled person with respect to the implementation progress, and will continue to take the appropriate steps to support the long-term health, efficiency and resilience of the market as a whole.
5. The LME's response to the FCA's update statement is appended to this circular.

James Cressy
Interim LME Clear Chief Executive Officer

To: All members, warehouse companies and their London agents and other interested parties

Ref: 23/037

Classification: General Updates

Date: 03 March 2023

Subject: **LME RESPONSE TO FCA UPDATE STATEMENT**

Summary

1. This notice provides the LME's response to the Financial Conduct Authority's (FCA) update statement issued on 3 March 2023.

LME response

2. The LME notes the FCA's announcement today in respect of its review of the events surrounding the LME's suspension of the nickel market in March 2022. The LME welcomes the FCA's constructive engagement and comments on the steps taken by the LME since the suspension.
3. As already announced, the LME and LMEC are each preparing an implementation plan setting out how they propose to deliver against the recommendations of the Oliver Wyman independent review, including the initiatives that are already underway to strengthen their business and markets. This is to be communicated at the end of Q1 2023.
4. In parallel, active steps are being taken to enhance nickel market liquidity – most notably, the forthcoming resumption of Asian hours nickel trading on 20 March 2023. The LME also continues to work to improve OTC market transparency to support robust risk management in its on-exchange trading, and appreciates the FCA's positive feedback in respect of work already undertaken in this respect.
5. The LME notes that the FCA has opened an enforcement investigation into some of the LME's conduct and systems and controls in place during the period between 1 January 2022 and the time of suspension on 8 March 2022. The LME will cooperate fully with this process and will continue to take the appropriate steps to ensure the long-term health, efficiency and resilience of its market.

Matthew Chamberlain
LME Chief Executive Officer

cc: Board directors
All committees