

# THOMSON REUTERS BENCHMARK SERVICES LIMITED

## LBMA SILVER PRICE

### ADMINISTRATOR CODE OF CONDUCT

#### 1. BACKGROUND

- 1.1. The LBMA Silver Price is a systemically important global financial benchmark that is calculated using a daily auction.
- 1.2. In July 2013, IOSCO published the IOSCO Principles, with the objective of creating an overarching framework of principles for benchmarks used in financial markets by articulating policy guidance and principles for benchmark-related activities that will address conflicts of interest in the benchmark-setting process, as well as transparency and openness when considering issues related to transition.
- 1.3. The LBMA Silver Price has been developed in response to the consultation process run by the London Bullion Market Association in May/June 2014 to create a replacement for the "Silver Fix" – the price benchmark historically produced by London Silver Market Fixing Ltd.
- 1.4. The consultation received 440 responses from a diverse set of silver market participants and was supplemented by discussion with market, regulatory and industry bodies including the Financial Conduct Authority, Bank of England and ISDA.
- 1.5. Following another consultation conducted by the Financial Conduct Authority in December 2014, it was announced that the LBMA Silver Price, along with six other benchmarks, will be a regulated benchmark from 1 April 2015.
- 1.6. In accordance with MAR 8.3.10 this document satisfies the requirement for Thomson Reuters, through its oversight committee, to set out its responsibilities as the Administrator of the LBMA Silver Price.
- 1.7. The LBMA Silver Price Administrator Code of Conduct will be subject to a review by the LBMA Silver Price Oversight Committee (the 'Oversight Committee'), or a delegate authorized by and acting on behalf of the Oversight Committee, on a periodic basis.

#### 2. INTERPRETATION

- 2.1. Capitalized terms used herein and not otherwise defined will have the meaning set out in Appendix A (Defined Terms).
- 2.2. This LBMA Silver Price Administrator Code of Conduct shall be effective as of 14 July, 2015.
- 2.3. The LBMA Silver Price Administrator Code of Conduct is approved by the Oversight Committee.

#### 3. ADMINISTRATION OF THE LBMA SILVER PRICE

- 3.1. The LBMA Silver Price Administrator hereby adopts and issues this LBMA Silver Price Administrator Code of Conduct and undertakes to perform the LBMA Silver Price Administrator Responsibilities in accordance with MAR 8.3 during its Tenure, all with effect as of the Effective Date. As per MAR 8.3 the LBMA Silver Price Administrator undertakes to:
  - a) establish and maintain effective organisational and governance arrangements to enable it to carry out the activity of administering a specified benchmark; and
  - b) have regard to the importance of maintaining integrity of the market and the continuity of the specified benchmark including the need for contractual certainty for contracts which reference the specified benchmark. This includes measures designed to ensure the confidentiality around the auction process and additional information received from the auction participants; and
  - c) maintain and operate effective organisational and administrative arrangements to enable it to identify and manage any conflicts of interest that may arise from the process of administering a specified benchmark; and
  - d) appoint a benchmark administration manager with responsibility for the oversight of its compliance with MAR 8.3. The individual must have a level of authority and access to resources and information sufficient to enable him to carry out that responsibility; and
  - e) have in place effective arrangements and procedures that allow the regular monitoring and surveillance of the auction process; and

- f) monitor the benchmark submissions in order to identify breaches of its practice standards and conduct that may involve manipulation, or attempted manipulation, of the specified benchmark it administers and provide to the oversight committee of the specified benchmark timely updates of suspected breaches of practice standards and attempted manipulation; and
  - g) notify the FCA and provide all relevant information where it suspects that, in relation to the specified benchmark it administers, there has been (i) a material breach of the benchmark administrator's practice standards; (ii) conduct that may involve manipulation or attempted manipulation of the specified benchmark it administers; or (iii) collusion to manipulate or to attempt to manipulate the specified benchmark it administers; and
  - h) ensure that the specified benchmark it administers is determined using adequate benchmark submissions; and
  - i) establish an oversight committee
  - j) be able to provide to the FCA, on a daily basis, all benchmark submissions it used to determine the specified benchmark it administers; and
  - k) keep records for at least five years that details the auction process and the relevant data inputs for the Euro and Sterling rates; and
  - l) maintain, at all times, sufficient financial resources to be able to cover the operating costs of administering the specified benchmark for a period of at least six months; and
  - m) notify the FCA of any significant breaches of rules.
- 3.2. The LBMA Silver Price Administrator has primary responsibility for all aspects of the Benchmark determination process, with overall responsibility for the integrity of the benchmark. This includes conducting the following:
- 3.2.1. performing or overseeing all duties in respect of collection, calculation, surveillance (including both spot-rate and tolerance checks), publication, monitoring, and record-keeping, whether performed internally or externally,
  - 3.2.2. major supplier relationship management at an operational level,
  - 3.2.3. ensuring proper end-to-end Business Continuity Plans and other risk mitigation actions are in place,,
  - 3.2.4. periodic reviews of third parties who perform critical aspects of the benchmark determination process,
  - 3.2.5. periodic reviews of the control framework,
  - 3.2.6. periodic reviews of the methodology and design including data sufficiency, data hierarchy, data transparency and contribution,
  - 3.2.7. periodic reviews of the completeness of operational contractual arrangements,
  - 3.2.8. coordinating the response of the Administrator and associated parties in identifying, responding to, and communicating incidents related to the benchmark, including triage, manual fall backs, remediation, and root cause analysis,
  - 3.2.9. communicating with regulators on a timely, accurate and complete basis,
  - 3.2.10. monitoring incident-related trends associated with the benchmark, and
  - 3.2.11. identifying systemic changes that need to be made in response to specific incidents and overall trends .
- 3.3. The LBMA Silver Price Administrator will continue to comply with its undertaking in Section 3.1 during its Tenure notwithstanding any changes in Applicable Law.

#### 4. PARTICIPANT CODE OF CONDUCT

- 4.1. The LBMA Silver Price Administrator adopts the LBMA Silver Price Participant Code of Conduct as the Participant Code of Conduct for the LBMA Silver Price. The Administrator will maintain systems and controls to ensure that the auction process used to calculate the LBMA Silver Price has been prepared in a manner that is consistent with the LBMA Silver Price Participant Code of Conduct.
- 4.2. The LBMA Silver Price Administrator will establish, maintain and undertake consultation processes that provide the opportunity for meaningful input from the LBMA Silver Price Participants before amending or replacing the LBMA Silver Price Participant Code of Conduct, and, following completion of such consultation processes, will provide the LBMA Silver Price Participants not less than 90 days' prior written notice of the implementation of any such proposed amendment or replacement of the Participant Code of Conduct, except to the extent that, in any particular circumstances, such processes or notice period, as the case may be, would result in the LBMA Silver Price Administrator being unable to perform the LBMA Silver Price Administrator Responsibilities in accordance with MAR 8, in which case the LBMA Silver Price Administrator will undertake such consultation processes with, and provide such prior notice to, the LBMA Silver Price Participants as are, so far as possible, consistent with the foregoing while allowing the LBMA

Silver Price Administrator to perform the LBMA Silver Price Administrator Responsibilities in accordance with MAR 8.

## 5. OVERSIGHT COMMITTEE

- 5.1. The LBMA Silver Price Administrator will establish and maintain the Oversight Committee and with the Oversight Committee maintain the Oversight Committee Terms of Reference and will undertake consultation processes with the Oversight Committee, all on a basis that is consistent with the IOSCO Principles, to allow the Oversight Committee the opportunity to review and provide challenge and meaningful input regarding:
- i. all aspects of the LBMA Silver Price auction process, including consideration of the features and intended, expected or known usages of the LBMA Silver Price and the materiality of identified existing or potential conflicts of interest and means of addressing the same;
  - ii. any amendment to or replacement of the LBMA Silver Price Processes, the LBMA Silver Price Submitter Code of Conduct or this LBMA Silver Price Administrator Code of Conduct;
  - iii. the Oversight Committee Terms of Reference and any amendment thereto or replacement thereof; and
  - iv. any other material issues regarding the LBMA Silver Price Administrator Responsibilities.
- 5.2. The minimum composition standards for the Oversight Committee will be as follows:
- 5.2.1. One representative from each of the Benchmark Partners,
  - 5.2.2. At least one representative from a participant of the auction platform.
- 5.3. At least two representatives from an end user of the LBMA Silver Price.
- 5.4. The LBMA Silver Price Administrator will offer representation on the Oversight Committee to the Financial Conduct Authority and the LBMA Silver Price Participants
- 5.5. New members of the Oversight Committee will be appointed by a majority vote of the existing members. The composition of the Oversight Committee will be reviewed on a periodic basis by TRBSL.
- 5.6. The LBMA Silver Price Administrator with the Oversight Committee will ensure: (a) that the Oversight Committee and Oversight Committee Terms of Reference will be appropriate, in terms of its functions and composition, to provide effective scrutiny of the LBMA Silver Price Administrator and oversight of the LBMA Silver Price design and the integrity of the LBMA Silver Price determination and control framework; (b) that the Oversight Committee Terms of Reference prohibit representatives of the LBMA Silver Price Participants from participating in the review of or the provision of input on matters related the addition of Persons as new LBMA Silver Price Participants and the fees and other remuneration charged in relation to licensing, access and use of the LBMA Silver Price.

## APPENDIX A – DEFINED TERMS

- **“Administrator”** has the meaning given to it in the IOSCO Principles.
- **“Affiliate”** means, with respect to any Person, any other Person who directly or indirectly Controls, is Controlled by, or is under direct or indirect common Control with, such Person, and includes any Person in like relation to an Affiliate.
- **“Applicable Law”** means, with respect to any Person, property, transaction, event or other matter, (a) any foreign or domestic constitution, treaty, law, statute, regulation, code, ordinance, principle of common law or equity, rule, municipal by-law, or other requirement having the force of law, (b) any order, directive, judgment, decree, injunction, decision, ruling, award or writ of any Authority (c) any policy, practice, protocol, standard or guideline of any Authority which, although not necessarily having the force of law, is regarded by such Authority as requiring compliance as if it had the force of law (collectively, in the foregoing clauses (a), (b) and (c), “Law”) in each case relating or applicable to such Person, property, transaction, event or other matter and also includes, where appropriate, any interpretation of Law (or any part thereof) by any Person having jurisdiction over it, or charged with its administration or interpretation. For greater certainty, the IOSCO Principles per se are not, and are deemed not to be, an Applicable Law.
- **“Authority”** means: (a) any domestic or foreign government (whether administrative, legislative, executive or otherwise); (b) any agency, authority, ministry, department, regulatory body, court, central bank, bureau, board or other instrumentality having legislative, judicial, taxing, regulatory, prosecutorial or administrative powers or functions of, or pertaining to, government; (c) any court, tribunal, commission, individual, arbitrator, arbitration panel or other body having adjudicative, regulatory, judicial, quasi-judicial, administrative or similar functions; and (d) any other body or entity created under the authority of or

otherwise subject to the jurisdiction of any of the foregoing, including any stock or other securities exchange or professional association; and “Authorities” has a corresponding meaning.

- **“Benchmark Partners”** means the entities that occupy the following roles for the LBMA Silver Price: Administrator, Calculation Agent and Intellectual Property Owner.
- **“Calculation Agent”** has the meaning given to it in the IOSCO Principles.
- **“including”** means including without limitation and “include” and “includes” have a corresponding meaning.
- **“IOSCO”** means the International Organization of Securities Commissions.
- **“IOSCO Principles”** mean the Principles for Financial Benchmarks set out in the IOSCO Report.
- **“IOSCO Report”** means the July 2013 Final Report of the Board of IOSCO FRO 7/13.
- **“LBMA Silver Price”** means the global reference rate for the price of silver (the settled US Dollar price along with the derived Euro and Sterling prices).
- **“LBMA Silver Price Administrator”** means the Administrator in respect of the LBMA Silver Price, whose responsibilities, for greater certainty, include those of Publication Agent in respect of LBMA Silver Price and may not be assigned or delegated to any third Person, from time to time, being Thomson Reuters as of the Effective Date.
- **“LBMA Silver Price Administrator Code of Conduct”** means this code of conduct regarding the undertaking and performance by the LBMA Silver Price Administrator of the roles and responsibilities of LBMA Silver Price Administrator, as same may be amended or replaced from time to time.
- **“LBMA Silver Price Administrator Responsibilities”** mean the duties and responsibilities of the LBMA Silver Price Administrator, including responsibility for all stages of the LBMA Silver Price administration process and the calculation and dissemination of LBMA Silver Price.
- **“LBMA Silver Price Processes”** means the methodologies and procedures described in Appendix B.
- **“LBMA Silver Price Participants”** means the banks participating in the auction process which determines the LBMA Silver Price from time to time, being JP Morgan Chase, Bank of Nova Scotia, Mitsui & Co Precious Metals, HSBC Bank, UBS AG and Toronto-Dominion Bank as of the Effective Date.
- **“non-discriminatory”** means the practice of offering materially similar terms to all parties who are similarly situated.
- **“Oversight Committee”** means the oversight committee to be established and maintained by the LBMA Silver Price Administrator pursuant to this LBMA Silver Price Administrator Code of Conduct.
- **“Oversight Committee Terms of Reference”** means the terms of reference for the Oversight Committee to be established and maintained by the LBMA Silver Price Administrator pursuant to this LBMA Silver Price Administrator Code of Conduct, the form and content of which, as at the Effective Date, is attached as Appendix D.
- **“Person”** is to be broadly interpreted and includes an individual, a corporation, a partnership, a trust, an unincorporated organization, an Authority, and the executors, administrators or other legal representatives of an individual in such capacity.
- **“Publication Agent”** has the meaning given to “Benchmark Publisher” in the IOSCO Principles.
- **“Stakeholder”** has the meaning given in the IOSCO Principles.
- **“TR Entities”** means the LBMA Silver Price Administrator and Affiliates of the LBMA Silver Price Administrator, and “TR Entity” means any one of them, as the context dictates.
- **“TRBSL”** means Thomson Reuters Benchmark Services Limited, a subsidiary of TR.

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