



# **Statement of Shanghai Metals Markets Compliance with the IOSCO “Principles for Financial Benchmarks”**

May 2020

Introduction.....	3
Benchmarks .....	3
Review.....	3
Summary of Findings .....	3
IOSCO PRINCIPLES REGARDING GOVERNANCE .....	4
Principle 1 - Overall responsibility of the Administrator .....	4
Principle 2 - Oversight of third parties .....	4
Principle 3 - Conflict of interest for Administrators .....	4
Principle 4 - Control Framework for Administrators .....	6
Principle 5 - Internal oversight .....	6
Principle 6 - Benchmark design .....	7
Principle 7 - Data sufficiency .....	8
Principle 8 - Hierarchy of data inputs .....	9
Principle 9 - Transparency of benchmark determinations .....	9
Principle 10 - Periodic review.....	9
IOSCO PRINCIPLES REGARDING QUALITY OF METHODOLOGIES.....	10
Principle 11 - Content of the methodology.....	10
Principle 12 - Changes to the methodology .....	10
Principle 13 - Transition .....	10
Principle 14 - Submitter Code of Conduct.....	11
Principle 15 - Internal controls over data collection .....	11
IOSCO PRINCIPLES ON ACCOUNTABILITY .....	12
Principle 16 - Complaints procedures .....	12
Principle 17 - Audits .....	12
Principle 18 - Audit trail .....	12
Principle 19 - Cooperation with Regulatory Authorities .....	13
APPENDIX I – List of SMM Benchmarks, as at May 2020. ....	14

## Introduction

Shanghai Metals Market (“SMM”, or “the Administrator”) is a leading independent information and data service provider covering the commodities markets in China. It provides information on markets, prices, analysis, commentary, consultancy services and commodity indices.

SMM considers that these SMM indices are Benchmarks, as defined in the Final Report on “Principles for Financial Benchmarks” (the “Principles”), as published by the International Organization of Securities Commissions (“IOSCO”) on 17 July 2013. These are a non-binding set of principles that set out global best practice for the design, calculation, and management of benchmarks

SMM believes that the Principles (rather than any other principles published by IOSCO, such as the Principles for Oil Price Reporting Agencies) are appropriate to its administration of its Benchmarks. SMM has therefore commissioned a review by an independent external party of its adherence to the Principles. It is intended that, in line with the requirements of the Principles, SMM will update this statement on at least an annual basis.

SMM is solely responsible for all aspects of the collection of the inputs to these benchmarks, the definition and methodology of each benchmark and the oversight and governance of all aspects of the submission, validation, calculation, governance and distribution of the Benchmarks.

## Benchmarks

SMM Benchmarks cover various categories, principally ferrous, non-ferrous, precious and minor metals of various grades and specifications. The full list of SMM Benchmarks is listed in Appendix 1.

## Review

SMM engaged Bovill Limited, an independent regulatory compliance consultancy, to review its compliance with the Principles. Bovill Limited has prepared and approved this report, dated 20<sup>th</sup> May 2020.

## Summary of Findings

- SMM’s policies and procedures are consistently applied to all of its published Benchmarks
- SMM intends to apply those policies and procedures to any further Benchmarks that it publishes
- SMM’s policies and procedures relating to the Benchmarks comply with the recommended practices in the Principles regarding the establishment, operation and oversight of financial Benchmarks
- SMM has in place a control and oversight framework which is designed to promote the quality and integrity of the determination process for the Benchmarks. The standards that have been set by SMM are designed to ensure that:
  - potential conflicts of interests which may arise out of the operation of the Benchmarks are appropriately identified and addressed.
  - each Benchmark adequately reflects the interest for which it has been established.
  - there are procedures designed to mitigate the market impact of methodology changes or cessations of any of the Benchmarks
- **We consider SMM to be compliant with the Principles, as detailed below**

## **IOSCO PRINCIPLES REGARDING GOVERNANCE**

### **Principle 1 - Overall responsibility of the Administrator**

The Administrator should retain primary responsibility for all aspects of the Benchmark determination process.

As Administrator of the SMM Benchmarks, SMM has responsibility for the development, calculation, publication, maintenance, and licensing of the SMM Benchmarks. The SMM Benchmarks are ultimately the responsibility of the SMM Board.

The determination of the SMM Benchmarks relies on an internal calculation methodology developed by SMM. Oversight of the Benchmarks is carried out by the SMM Benchmark Management Committee, with day-to-day oversight carried out by the firm's Benchmark team line management. The Committee's Terms of Reference are available on the SMM website and on request.

The Head of Information Technology is responsible for the company's IT infrastructure, on which all activities related to Benchmark calculation and dissemination are carried out.

"First line of defence" monitoring of bids, offers and trades used in the SMM Benchmarks is undertaken by SMM Benchmark team members. In addition, line managers in the Benchmark teams carry out ongoing monitoring, and can, subject to later review, exclude bids, offers and trades from the Benchmark calculations in order to maintain the integrity of the Benchmarks.

### **Principle 2 - Oversight of third parties**

Where activities relating to the Benchmark determination process are undertaken by third parties - for example collection of inputs, publication or where a third party acts as Calculation Agent - the Administrator should maintain appropriate oversight of such third parties.

SMM does not use third party service providers in its Benchmark determination process, whether for collection of data input, management or calculation. As a result, principle 2 does not apply to SMM.

### **Principle 3 - Conflict of interest for Administrators**

To protect the integrity and independence of Benchmark determinations, Administrators should document, implement and enforce policies and procedures for the identification, disclosure, management, mitigation or avoidance of conflicts of interest. Administrators should review and update their policies and procedures as appropriate.

### **Policies**

SMM maintains policies and procedures that address how current and potential conflicts of interest are or will be identified, recorded, managed, mitigated, and disclosed. These are documented as follows:

- SMM Benchmark Management Committee terms of reference (regarding conflicts in that committee)
- SMM Conflicts of Interest Policy
- SMM Information & Technology Company Anti-Bribery Policy
- SMM Code of Business Ethics
- SMM Conflict of Interest Disclosure Form
- SMM Personal Account Dealing Declaration

- SMM Submitter Code of Conduct
- SMM Staff Remuneration Policy
- SMM Conflicts of Interest Register
- SMM Data Standards Policy

### Potential Staff Conflicts of Interest

The SMM Staff Remuneration Policy makes it clear that remuneration is not dependent on the level or movement of any of the Benchmarks. SMM has strict anti-corruption and bribery policies and provides all staff with regular training on these.

### Potential Conflicts of Interest on the SMM Benchmark Management Committee

There are no identified material conflicts of interest affecting the SMM manager, who chairs the SMM Benchmark Management Committee. No other members of the SMM Benchmark Management Committee have identified material conflicts of interest or potential conflicts of interest.

Any potential conflicts, and their mitigation will be noted by the Committee and are recorded in the conflicts of interest register. The SMM Benchmark Management Committee is charged with investigating and acting upon (if appropriate) potential breaches of the Conflicts of Interest policy

As stated in the SMM Benchmark Management Committee terms of reference, Committee members must monitor for any actual or potential conflict of interest (including any potential perceived conflict of interest), and disclose such actual or potential conflicts of interest promptly upon becoming aware of such conflict, or at the latest before discussion of an item giving rise to a conflict whether during meetings or outside of meetings. In the event of there being a conflict of interest, the member will be excluded from considering this matter and this will be recorded in the minutes of the meeting.

Further, the Terms of Reference require that committee members must be “fit and proper, and appropriately experienced in compliance-related matters.”

### Potential Corporate Level Conflicts of Interest

SMM is not a user of any of the Benchmarks nor is it a participant in the markets that the Benchmarks measure or in the markets for which the Benchmarks are used for settlement.

### Notable Circumstances

There are two particular circumstances which apply to SMM in relation to which conflicts of interest could arise:

- Changes to the Benchmark methodologies: SMM’s SMM Benchmark Management Committee reviews the Benchmark methodologies annually. As detailed in its terms of reference and in the Benchmark methodologies, where the SMM Benchmark Management Committee proposes changes that are considered material, market participants will be notified of the proposed changes and given the opportunity to comment on them. As mentioned above, the Committee is chaired by a senior SMM Manager and has policies in place to ensure the identification and management of conflicts of interest.
- Exclusion of data from a Benchmark: SMM monitors the trades, bids and offers made available to staff and which comprise the inputs to its Benchmarks. As detailed in the SMM Benchmark Administration Control Framework, senior line management in the SMM Benchmarks teams have the ability to remove from the Benchmark calculation process any trade, bid or offer or other data point that he or she considers to result from suspicious activity, manifest error or mis-trade. Those decisions are subject to review by the SMM Benchmark Management Committee.

## Principle 4 - Control Framework for Administrators

An Administrator should implement an appropriate control framework for the process of determining and distributing the Benchmark.

SMM's maintains a Benchmark Administration Control Framework, applicable to all of the Benchmarks which it administers. The aim of the Benchmark Administration Control Framework is to promote the highest ethical business standards within SMM, ensuring that staff are adequately trained and supervised, and that systems and procedures ensure compliance at both an individual and company level.

In summary, the Benchmark Administration Control Framework:

- Sets out the procedures which all SMM staff must observe in order to fulfil SMM's administrative and risk management requirements
- Sets out the responsibilities of the SMM Benchmark teams, SMM Benchmark Oversight Committee and SMM Board (with regards to activities around Benchmarks)
- Sets out the requirement for training and competence
- Clarifies the use of expert judgement and discretion in the Benchmark determination process
- Sets out the procedure for the identification and avoidance of market abuse
- Explains SMM's Personal Account Dealing Policy
- Sets out SMM's procedures for the receipt and management of complaints
- Sets out SMM's procedures for identifying and managing conflicts of interest
- Sets out SMM's whistleblowing policy and procedure
- Sets out the basis on which submitters may be included or excluded from submitting data to the Benchmarks
- Sets out the data sufficiency principles for the SMM Benchmarks

All directors and employees are responsible for reading, understanding and complying with all procedures applicable to them.

## Principle 5 - Internal oversight

Administrators should establish an oversight function to review and provide challenge on all aspects of the Benchmark determination process.

Ultimate responsibility for the SMM Benchmarks lies with the organisation's Board, with oversight of the Benchmarks delegated to the SMM Benchmark Management Committee. The Chairman of the SMM Benchmark Management Committee is appointed by the SMM Board, and appointment of all members of the Committee must be approved by the SMM Board. Day-to-day oversight is maintained by the SMM Benchmark team line management, who are represented on the SMM Benchmark Management Committee, in line with the Terms of Reference for that Committee.

The SMM Benchmark Management Committee is responsible for oversight of the Benchmarks. Its responsibilities, set out fully in its Terms of Reference, are in summary:

- To review all aspects of the process for the determination and publication of the Benchmarks to ensure that they are in accordance with best practice and the Principles and that each Benchmark methodology is adhered to, including in respect of any exercise of judgement by SMM employees
- To ensure the Committee itself comprises individuals with the appropriate skills and experience to collectively oversee all aspects of the calculation and management of the SMM Benchmarks
- To ensure the quality of the inputs, calculation, governance and oversight of SMM Benchmarks Members have the appropriate authority, experience and expertise to manage all aspects of the Benchmarks. The Committee commissions reports on the quality of Benchmark inputs and

calculation and has the authority to scrutinise all aspects of the Benchmark calculation and governance process and enact change as required

- ensuring that all staff involved in the collection, calculation, governance and publication of Benchmark data are appropriately trained on all SMM Benchmark policies and have suitable expertise in the markets the Benchmarks seek to measure. Training on all SMM Benchmarks is an ongoing process for all Benchmark staff and their competence is assessed and reviewed by the Committee
- In particular, where individual staff are approved to exercise expert judgment with regard to any aspect of the Benchmark, these staff and their line management responsible for monitoring exercise of Judgment will receive specific training on the SMM Benchmarks Expert Judgment Policy
- To review and advise the Board of SMM on the processes and procedures adopted by the Benchmark Management Committee to ensure that the SMM systems are not used for market abuse
- To review at least annually the definitions of the Benchmarks and the methodology for each Benchmark
- To identify any conflicts of interests in relation to a Benchmark and its determination process on an on-going basis
- To review and advise the Board of SMM on the processes and procedures adopted by the Benchmark Management Committee to ensure SMM's compliance with the requirements of the Principles and other regulatory authorities as relevant, including considering the findings of any reviews by those regulatory authorities and ensuring the implementation of any necessary remedial actions
- In respect of SMM's internal "Benchmark Administration Control Framework", "Anti-Money Laundering Procedures", "Anti-Corruption & Bribery Policy", "Whistleblowing Policy", "Complaints Policy" and "Conflicts of Interest Policy", to:
  - review them at least annually and make recommendations for change as necessary
  - review at least annually the process for communicating those requirements to SMM staff
  - ensure that effective measures are in place to identify and address any breaches of those
- To review SMM's compliance resources
- Maintenance of Benchmark data security and cybersecurity policies, procedures and standards. These are subject to regular review by the Committee to ensure they remain appropriate and up to date
- To review at least annually the Terms of Reference of the Committee and make recommendations for change, if any, to the Board
- Periodically commissioning and considering reports from SMM's internal audit function on the performance of the Benchmarks and compliance with all Benchmark policies and procedures and the Principles. If required, the Committee may also commission an external auditor to report on compliance with SMM Benchmark Policies and procedures and compliance with the Principles

## Principle 6 - Benchmark design

The design of the Benchmark should seek to achieve, and result in, an accurate and reliable representation of the economic realities of the Interest it seeks to measure, and eliminate factors that might result in a distortion of the price, rate, Benchmark or value of the Benchmark.

The SMM Benchmark Methodologies detail how each Benchmark is designed to ensure an accurate and reliable representation of the relevant market, to ensure that Benchmark components are sufficiently liquid to provide transparent, accurate pricing.

SMM verifies the accuracy and reliability of market data that are submitted and adopted in benchmark assessments. Market data is generated by market participants who have completed, or who are about to complete, transactions.

SMM builds and adopt procedures to identify outliers, in terms of SMM benchmark assessment methodology or unverified data and exclude such data from benchmark assessment. Exclusions will be recorded.

SMM has established specific criteria for who can submit market data to SMM. SMM has a quality control procedure to assess the qualifications of market participants who submit data. At the end of the procedure, SMM will authorise these market participants to submit data

SMM ensure that those who submit data comply with SMM's standards for quality and integrity. The methodologies were developed in close consultation with market participants. They are reviewed by the SMM Benchmark Management Committee on an annual basis and as required.

SMM collects transaction data and other information from actors at every part of the supply chain for metals in the Chinese markets and is thus able to keep under constant review the adequacy of the sample used to represent the Interest, size and liquidity of the relevant market, relative size of the underlying market in relation to the volume of trading in the market that references the Benchmark, the distribution of trading among market participants and market dynamics.

## **Principle 7 - Data sufficiency**

The data used to construct a Benchmark determination should be sufficient to accurately and reliably represent the Interest measured by the Benchmark

SMM operates a stringent Data Sufficiency Policy. SMM seeks to receive market information from as broad a cross section of the relevant market as possible in order to ensure the inputs remain sufficient to accurately and reliably represent the underlying markets measured by the Benchmark are based on prices that have been formed by the competitive forces of supply and demand.

If a very limited number of market-makers are active in the market, or if a limited number submit data that constitutes a significant proportion of the total data upon which the assessment is based, SMM will continue to seek fully transparent and verifiable data from the market at large and to apply SMM Benchmark methodology principles of transparency, repeatability and time sensitivity.

When no bid, offer or transaction data exists, SMM may consider other verifiable data reported and published through the day, including fully and partially confirmed trades, notional trading values and other market information as provided for publication.

Under such circumstances, SMM may also be able to observe direct market activity or the effect of commonly traded commodities on illiquid markets via spread differentials and/or shipping economics.

SMM also analyses the relationships between different products and factors these relationships into assessments for markets where transactional data falls to low levels.

Finally, SMM normalizes other available data that may be relevant to the assessment during periods when low amounts or no transactional data exists, including transactional data from related markets, in the manner described above.

Compliance with the SMM Data Sufficiency Policy is regularly monitored by the SMM Benchmark Management Committee.

## **Principle 8 - Hierarchy of data inputs**

An Administrator should establish and Publish or Make Available clear guidelines regarding the hierarchy of data inputs and exercise of Expert Judgment used for the determination of Benchmarks.

SMM operates a comprehensive Hierarchy of Data Inputs policy for all its benchmarks. Where there are appropriate transactions in the underlying markets, these are used. The data hierarchy is as follows:

- Concluded transactions
- Firm bids that are available to the whole marketplace, with market accepted terms
- Firm offers that are available to the whole marketplace, with market accepted terms
- Expressions of interest to trade, with market accepted terms
- Third party reports of transactions
- Any other data that may be relevant to SMM benchmarks
- Buying and selling indications

In exceptional cases, where a lack of liquidity represents a challenge in making assessments, SMM analysts apply a normalization process to include information on transactions which fall outside the standard specifications listed in the methodology pertaining to, but not limited to, volume, timing, delivery, payment terms, import tariffs, product specifications and other operational matters.

This normalisation process adopted is in line with established industry good practice, and will only be used either as a reference for assessments or be included as part of the assessment range. Where normalisation has occurred and has been reflected in a published benchmark assessment, this will be described in the text of the published report and the process will be described and justified.

Apart from instances where data may be excluded, SMM will typically only exercise expert judgement where market information about firm bids and offers or transactions is not available

## **Principle 9 - Transparency of benchmark determinations**

The Administrator should describe and publish with each Benchmark determination, to the extent reasonable without delaying an Administrator publication deadline:

- a) A concise explanation of how the determination was developed;
- b) A concise explanation of the extent to which and the basis upon which Expert Judgment if any, was used in establishing a Benchmark determination.

SMM makes clear in its daily market comments whether it has assessed a benchmark based on transaction or bid/offer data or whether it has used other forms of evidence or calculation.

## **Principle 10 - Periodic review**

The Administrator should periodically review the conditions in the underlying Interest that the Benchmark measures to determine whether the Interest has undergone structural changes that might require changes to the design of the Methodology. The Administrator also should periodically review whether the Interest has diminished or is non-functioning such that it can no longer function as the basis for a credible Benchmark.

The SMM Benchmark Management Committee is responsible for reviewing the SMM Benchmarks and for determining whether each Benchmark continues to provide a robust assessment of the underlying market. The SMM Benchmark Management Committee reviews each Benchmark

methodology at least annually or more often as required, in line with the SMM Benchmark Review Policy and SMM Benchmark Consultation Policies.

SMM assesses activity in each market their benchmarks seek to measure (such as a significant change in market liquidity) that might require a structural change to the Benchmark methodology and refers its assessment to the SMM Benchmark Management Committee. If the SMM Benchmark Management Committee determines that a particular Benchmark may require modification or termination, it will work with users of the Benchmark and other stakeholders as per the SMM Benchmark Consultation Policies. These policies detail the notification time and procedures to be given to the markets if a decision is taken to modify or terminate the Benchmark.

## **IOSCO PRINCIPLES REGARDING QUALITY OF METHODOLOGIES**

### **Principle 11 - Content of the methodology**

The Administrator should document and Publish or Make Available the Methodology used to make Benchmark determinations. The Administrator should provide the rationale for adopting a particular Methodology.

SMM publishes a separate methodology for each of its Benchmarks. These are available on the SMM website. The methodologies contain sufficient information to allow stakeholders to understand the methodology and objectives of the relevant Benchmark, in order to assess the suitability of the Benchmark for their purposes.

SMM operates and maintains via the SMM Benchmark Management Committee a Benchmark Submitter Exclusion or Inclusion policy that clearly establishes criteria for including and excluding Submitters.

### **Principle 12 - Changes to the methodology**

An Administrator should Publish or Make Available the rationale of any proposed material change in its Methodology, and procedures for making such changes.

SMM has established procedures to be followed in respect of amendments to Benchmark methodologies. These distinguish between material and minor changes and include undertakings to consult publicly on these. All material amendments require consultation with stakeholders, and the approval of the SMM Benchmark Management Committee before implementation.

SMM reserves the right to make immediate alterations to methodology, for the benefit of all users and other stakeholders, in cases of force majeure or extraordinary market circumstances.

### **Principle 13 - Transition**

Administrators should have clear written policies and procedures, to address the need for possible cessation of a Benchmark, due to market structure change, product definition change, or any other condition which makes the Benchmark no longer representative of its intended Interest.

SMM has a Benchmark Discontinuation Policy which will ensure that should the need for a benchmark to be continued arise, this will take place in an orderly fashion. The policy provides for full consultation with users and other stakeholders

The final decision to discontinue a benchmark is the responsibility of the Benchmark Management Committee and will be taken following full consideration of feedback received from users and other market participants and ensure that there is appropriate and timely notification of changes.

Due to the nature of SMM's Benchmarks and their underlying markets, SMM has determined that it is not appropriate to set out criteria to guide the selection of alternative Benchmarks or to set out the time periods during which Benchmarks will continue to be produced in order to facilitate the migration of existing contracts to an alternative Benchmark. However, if a Benchmark is to be discontinued, SMM will consult with its stakeholders and all relevant regulators to attempt to ensure a smooth transition.

## **Principle 14 - Submitter Code of Conduct**

Where a Benchmark is based on Submissions, the Administrator should develop guidelines for Submitters ("Submitter Code of Conduct"), and should only use inputs or Submissions from entities which adhere to the Submitter Code of Conduct.

SMM has in place extensive controls over Submitters. All Submitters are required to sign and undertake compliance with the Code of Conduct for submitters. Under SMMs Submitter Exclusion or Inclusion policy, if a submitter is judged by the SMM Benchmark teams to be in breach of the Submitter Code of Conduct, they will be excluded from the Benchmark calculation process. The Submitter Code of Conduct and Submitter Exclusion or Inclusion Policy are owned by the SMM Benchmark Management Committee and subject to their review.

The Submitter Code of Conduct itself provides guidance for Submitters on:

- Submitter's Data Input Procedures
- Submission Guidelines, including exercise of expert judgment
- Organisational arrangements
- Submitter Governance Policy
- Conflicts of Interest Arrangements
- Systems and Controls Arrangements
- Benchmark Manipulation Detection and whistleblowing arrangements
- Record Keeping Management
- Cooperation with SMM and Regulators

## **Principle 15 - Internal controls over data collection**

When an Administrator collects data from any external source the Administrator should ensure that there are appropriate internal controls over its data collection and transmission processes.

SMM operates a Data Standards Policy that ensures that only appropriately trained and experienced staff receive data from Submitters. Transmission is effected by a number of defined, secure channels. Data is only accepted from named sources, whose role or position in the Submitter organisation is clear to SMM, and SMM has procedures in place to verify this. SMM collects data from numerous sources, including front and back offices. The data collected from back offices and other sources is used to corroborate data from front offices.

Submissions are stored in SMM's secure storage system to ensure the segregation and confidentiality of data, and to prevent the improper usage of the data by parties not involved in the Benchmark calculation process.

SMM attaches importance to confidentiality, and all employees must strictly abide by SMM Confidentiality and Conflicts of Interest policies, which prohibits the disclosure of any Benchmark compilation-related information, whether regarding Benchmark values, data or customers, to any individual outside the Benchmark teams, unless required to by law.

## **IOSCO PRINCIPLES ON ACCOUNTABILITY**

### **Principle 16 - Complaints procedures**

The Administrator should establish and Publish or Make Available a written complaints procedures policy.

SMM operates a Complaints Policy. This details the mechanisms by which complaints can be received (written letters, a dedicated email and telephone numbers).

The Policy lays out the details that will be requested of the individual or firm making the complaint, in order to allow SMM to investigate fully.

The Complaints Policy details an escalation policy, with associated timeframes for escalation and/or response as appropriate. Escalation is independent of any personnel who may be or may have been involved in the subject of the complaint.

The Complaints policy requires that all documentation related to the complaint is retained for a minimum of five years.

The Complaints Policy is subject to annual review by the SMM Benchmark Management Committee on an annual basis, or as regulatory change requires.

### **Principle 17 - Audits**

The Administrator should appoint an independent internal or external auditor with appropriate experience and capability to periodically review and report on the Administrator's adherence to its stated criteria and with the Principles.

SMM maintains an Audit Policy, which requires an internal auditor to carry out regular and ad-hoc audits on the SMM Benchmarks, for consideration by the SMM Benchmark Management Committee. He/she is required to conduct regular audits in accordance with the IOSCO principles, the SMM price methodology and other related documents. Regular audits are carried out on a quarterly and annual basis. The scope and requirements for these audits are defined by the SMM Benchmark Management Committee and the internal auditor.

Following the completion of an internal audit, the internal auditor is required to submit a written management report to the SMM Benchmark Management Committee within a specific timeline. The specific requirements are as follows: the quarterly report shall be completed within two weeks following the completion of the audit; the annual report to be completed within one month after audit.

An external auditor will be selected and retained by The SMM Benchmark Management Committee to review and report on compliance of the SMM Benchmarks with stated policies and procedures as well as the IOSCO Principles. with the SMM price indices in accordance with its stated methodological standards and criteria. External audits will be carried out on at least a yearly basis.

### **Principle 18 - Audit trail**

Written records should be retained by the Administrator for five years.

As part of the Audit Policy described above, SMM retains written records related to the SMM Benchmarks for at least five years and specifically retains:

- All Data collected to generate the SMM Benchmarks, including all submitted data and any other data, and the source of these data
- Details of professional judgment exercised by Benchmark team staff in calculating the SMM Benchmarks

- Changes or adjustments to standard procedures and methodologies, including adjustments made under special circumstances or interruptions in the market
- The identity and role of the personnel involved in the formulation of the SMM Benchmarks
- All inquiries and responses related to data input

Internal auditors are required to conduct audit trails during regular audits and present the result of the audit in the management report.

Checks are conducted to determine if the relevant records are comprehensive and include all the information mentioned in the above requirements.

Checks are conducted to determine if the relevant records can be retrieved and verified, and the relevant person in charge can be traced.

Data is randomly selected for a given date for a cyclic test, to verify a matching SMM Benchmark value can be generated through the records in the archives based on the relevant SMM Benchmark Methodology document.

### **Principle 19 - Cooperation with Regulatory Authorities**

Relevant documents, Audit Trails and other documents subject to these Principles shall be made readily available by the relevant parties to the relevant Regulatory Authorities in carrying out their regulatory or supervisory duties and handed over promptly upon request.

SMM responds promptly and appropriately to enquiries and requests for information or documentation from regulatory authorities, in line with its formal Working with Competent Authorities and Regulators policy.

## **APPENDIX I – List of SMM Benchmarks, as at May 2020.**

**SMM 1# Copper Cathode spot price**  
**SMM 1# Copper Cathode of Guangdong spot price**  
**SMM Yang Shan Premium**  
**SMM Copper Concentrate Index**  
**SMM Refining Charge of Copper Blister**  
**SMM aluminium alloy ADC12 spot price**  
**SMM A00 aluminium ingot spot price**  
**SMM alumina price index**  
**SMM Foshan A00 aluminium ingot spot price**  
**SMM #1 Nickel spot price**  
**SMM Nickel Pig Iron (8-12%) spot price**  
**SMM Nickel Sulfate (Battery Grade) spot price**  
**SMM 304/2B Stainless Steel Coil spot price**  
**MMi (Metals Market Index) Iron Ore Price Index**  
**SMM Silver Spot Price**  
**SMM Cobalt Sulfate Spot Price**  
**SMM Cobalt Chloride Spot Price**  
**SMM Lithium Carbonate (Battery Grade) Spot Price**  
**SMM Lithium Hydroxide (Battery Grade) Spot Price**  
**SMM #1 Tin Ingot Spot Price**  
**SMM Didymium Oxide Spot Price**  
**0#Zinc Spot Price**  
**1#Zinc Spot Price**  
**0#Zinc\_GuangDong Spot Price**  
**1#Zinc\_GuangDong Spot Price**  
**T/C (Treatment Charges) for Zinc Concentrate-Inner Mongolia**  
**T/C for Zinc Concentrate-Yun Nan**  
**T/C for Zinc Concentrate-Hu Nan**  
**T/C for Zinc Concentrate-Guang Xi**  
**T/C for Zinc Concentrate-Shan Xi**  
**T/C for Zinc Concentrate-Si Chuan**  
**1#Lead Spot Price**  
**Secondary Refined Lead Spot Price**  
**T/C for Lead Concentrate-Inner Mongolia**

**T/C for Lead Concentrate-Yun Nan**

**T/C for Lead Concentrate-Hu Nan**

**T/C for Lead Concentrate-Guang Xi**

**T/C for Lead Concentrate-He Nan**