

Shanghai Metals Market Benchmark Index Management Committee Procedure

Prepared by SMM

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1. SUMMARY

To ensure that the Shanghai Metals Markets Benchmarks (the “Benchmarks” or “SMM Benchmarks”) are constructed, maintained and operated to the highest standards, the administrator of the SMM Benchmarks, Shanghai Metals Markets (“SMM” or “the administrator”) employs a robust governance framework to manage the Benchmarks, approve new Benchmarks and approve changes to the methodologies of existing Benchmarks.

The SMM Index Management Committee (“the Committee”) is responsible for the oversight of all aspects relating to the provision of benchmarks administered by SMM. It acts as the “Oversight Function” as defined in the IOSCO Principles for Financial Benchmarks (the “IOSCO Principles”) and undertakes all the duties and responsibilities as laid out in the IOSCO Principles. Its members are drawn from SMM management and staff.

The Committee reports to the Board and receives updates from first-line internal governance forums in the consideration of their business, where appropriate.

Day-to-day management of the SMM Benchmarks is undertaken by the SMM’s Operational teams.

This Terms of Reference document is owned by the SMM Index Management Committee, and will be reviewed and updated whenever any regulatory or business changes require so, and in any case reviewed no less than on an annual basis.

2. RESPONSIBILITIES

The Committee is responsible for Oversight (as defined within the IOSCO Principles) of the Benchmarks. In more detail, it holds the following responsibilities:

- General
 - The provision of benchmark, market and benchmark methodology guidance to the SMM Operational teams, both when requested or at any other time the Committee considers appropriate to give guidance or advice.
 - Ensuring the SMM Operational teams comprise individuals with appropriate levels of expertise, that they are suitably trained, and that appropriate training is carried out at regular intervals.
 - Receiving and reviewing comments and suggestions made by the SMM users.
 - Organising external consultations, if appropriate, on matters relating to the SMM Benchmarks.
 - Making relevant regulators or other authorities aware of any matters the Committee believes relevant (as appropriate).
- Methodology
 - To consider and decide upon the appropriate course of action for SMM to take when Extreme Events occur (as discussed within SMM’s “Managing Extreme Events Policy”) and at any other time that the appropriate course of action is not clear from the SMM Benchmark Methodology documents or other SMM Benchmark documentation.
 - Carrying out reviews of the SMM Benchmarks in to assess whether new Benchmarks are required or that existing Benchmarks should be closed, for example if the underlying Interest / market has diminished or is non-functioning.
 - Reviewing the SMM Benchmark Methodologies for suitability
 - Considering and approving any amendments made to published SMM Benchmarks, such as due to calculation errors.
 - Ongoing development of the SMM Benchmark Methodologies.

- Considering whether proposed changes to the Benchmarks' methodology is material, and considering whether a benchmark should cease publication if it is no longer a suitable representation of the underlying market.
- Ensuring changes to the methodology and the rationale for the changes are recorded.
- Submitted data
 - Ensuring the submissions process is sufficiently representative.
 - Establishing and maintaining appropriate processes and monitoring the quality of submissions. (SMM maintains a "Submitter Review Process Policy" to this end.)
 - Maintaining the Code of Conduct for submitters and establishing processes for addressing breaches of the Code of Conduct.
 - Ensuring SMM's Operations teams have appropriate processes for detecting and escalating potentially anomalous or suspicious submissions.
 - Investigating and – if appropriate - acting upon potential or actual breaches of the submitters code of conduct.
- Governance
 - Commissioning a periodic audit of SMM's adherence with the IOSCO Principles by a suitable internal or external auditor with appropriate experience and capability. The Committee will review such audits and act on any matters raised as it deems appropriate.
 - Investigating and acting upon (if appropriate) potential breaches of the Conflicts of Interest policy.
 - Investigating any complaints – as defined within the SMM Benchmarks Complaints Policy regarding the SMM Benchmarks, and where appropriate, adjudicating upon complaints and the application of any remedy concerning a complaint. (The Committee may appoint an appropriate SMM employee to carry out an investigation on its behalf and report back to the Committee.)
 - To ensure that appropriate records are kept such that SMM can make available to stakeholders and relevant regulatory authorities the identity and roles of companies and individuals submitting data for use in the benchmark determinations.
 - Reviewing and updating as required, and at least annually, the documented control framework for managing the SMM Benchmarks.

3. CONFLICTS OF INTEREST

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 the matter will be recorded in the minutes of the meeting.

4. CONFIDENTIALITY

Committee members must maintain confidentiality of the Committee's determinations, as appropriate. There can be no advance disclosure or selective disclosure of the Committee's decisions and deliberations to clients or other third parties.

5. DOCUMENTATION AND COMMUNICATION

SMM will keep records of documents and communication noted in section 7 of this document for a period of at least five years. Records will be kept in a durable format which are made available to the relevant competent authority (if applicable) if and when requested.

