

Financial Conduct Authority Updates its Statement on the London Metal Exchange's Suspension of the Nickel Market

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In an announcement on 3 March 2023, the UK's Financial Conduct Authority ("FCA") confirmed that it has opened an enforcement investigation into the London Metal Exchange's ("LME") decision to suspend its nickel market.

Background

Between 8 and 16 March 2022, and in the wake of "challenging" market conditions following the Russian invasion of Ukraine, the LME suspended nickel trading and cancelled trades due to a disorderly market in which prices doubled to more than \$100,000 per tonne. The FCA undertook to review the LME's management of the suspension (following an appropriate period of market stability) and determine whether there were any lessons to be learned about the LME's governance and market oversight processes.

Current FCA enforcement review

While encouraged by the LME's drive to increase the transparency of OTC trading in order to support risk management of on-exchange trading, the FCA has been clear with the LME that it should consider how the events of 2022 can inform its future work on market structure and risk management and the part transparency plays. It has now decided to open an enforcement investigation into elements of the LME's conduct and its systems and controls in place at the relevant time.

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