

EXECUTION VERSION

Multilateral Arrangement for Regulatory, Supervisory and Oversight Co-operation on LME Clear Limited

Terms of Reference for Framework Arrangement dated 08 March 2021

Contents

- A. Background and Rationale for Framework Arrangement
- B. Objectives of Framework Arrangement
- C. Scope of Framework Arrangement and Status of Terms of Reference
- D. Authority with Primary Responsibility
- E. Participation of Authorities in the Framework Arrangement
- F. Participation Criteria for the Framework Arrangement
- G. Activities of the Framework Arrangement
- H. Process for Adoption of Terms of Reference
- I. Confidentiality and Uses of Information
- J. Changes to Terms of Reference

EXECUTION VERSION

A. Background and Rationale for Framework Arrangement

1. LME Clear Limited ('LME Clear Limited') is a Recognised Clearing House under sections 285 and 290 of the Financial Services and Markets Act 2000 (FSMA) and is authorised as a central counterparty in accordance with Regulation (EU) No. 648/2012 ("EMIR")¹. LME Clear Limited provides clearing and settlement services for users of the London Metal Exchange.
2. The Bank of England is responsible for the supervision of providers of clearing services operating in the United Kingdom (UK), and is LME Clear Limited's competent authority.
3. In view of the values cleared through LME Clear Limited and the range of countries of incorporation of LME Clear Limited's clearing membership and the currencies of denomination and settlement of LME Clear Limited's products, a number of financial regulatory, supervisory or oversight authorities in many jurisdictions will be interested in the establishment of a framework for international regulatory co-operation with regard to LME Clear Limited.
4. The establishment of a framework for co-operation is in line with Responsibility E of the CPMI-IOSCO Principles for Financial Market Infrastructures ("Responsibility E"), which requires central banks, market regulators and other relevant authorities to co-operate in order to promote the safety and efficiency of financial market infrastructures ("FMIs"), to support each other in fulfilling their respective regulatory, supervisory, or oversight mandates, to facilitate the comprehensive regulation, supervision, and oversight and to provide a mechanism whereby the responsibilities of multiple authorities can be fulfilled efficiently and effectively taking into consideration the statutory responsibilities of the authorities, the systemic importance of the FMI for the respective jurisdictions, the FMI's comprehensive risk profile and the FMI's participants. It is also in line with the Financial Stability Board's (FSB's) four safeguards for a resilient and efficient global framework for central clearing.
5. The Bank of England has accepted responsibility for facilitating the development of terms of reference ("the Terms") to govern the creation and operation of a framework for regulatory co-operation ("the Framework Arrangement" or "Arrangement") to enhance international regulatory² co-operation between the authorities participating in the Arrangement ("the Participating Authorities") with regard to LME Clear Limited.

B. Objectives of Framework Arrangement

6. The Bank of England and other authorities with a regulatory interest in LME Clear Limited wish to create a Framework Arrangement to enhance, through discussion, consultation and

¹ As retained in UK law by the European Union (Withdrawal) Act 2018 (and as amended).

² For the purposes of this document, references to "authorities" or "financial regulatory authorities" should be read as including authorities with regulatory, supervisory or oversight responsibilities. Similarly references to "regulation" or "regulatory" should be read as including regulatory, supervisory and oversight activities.

EXECUTION VERSION

disclosure of information between authorities, the regulation of LME Clear Limited. The authorities will seek to promote and facilitate the effective and consistent application of international standards, including the CPMI-IOSCO Principles for Financial Market Infrastructure, facilitate the implementation of Responsibility E and the implementation of the safeguard for international cooperative oversight which has been identified by the FSB as one of the four safeguards for a global framework to establish a safe environment for the clearing of OTC derivatives.

7. In particular, the Participating Authorities, including the Bank of England, seek to promote a consistent regulatory approach that:
 - a) leverages the expertise and experiences of the Bank of England from their day-to-day supervision and oversight of LME Clear Limited, and the perspectives, expertise and experience of the other Participating Authorities to foster comprehensive regulation, supervision and oversight of LME Clear Limited under these Terms;
 - b) enhances oversight efficiency by minimising the burden on LME Clear Limited and the duplication of effort by Participating Authorities in line with their respective responsibilities;
 - c) fosters consistent and transparent communication among the Participating Authorities and with LME Clear Limited;
 - d) fosters transparency among the Participating Authorities regarding the development and implementation of applicable policies; and
 - e) supports fully informed judgments when Participating Authorities make their independent assessments and decisions regarding LME Clear Limited, while recognising that individual assessments and decisions by a Participating Authority could have implications for other Participating Authorities.
8. These Terms will govern the Framework Arrangement and set out the necessary bases for the interaction between the Bank of England and Participating Authorities regarding LME Clear Limited.
9. These Terms will also provide a governance process for the Framework Arrangement, including:
 - a) the structure of the Framework Arrangement;
 - b) the criteria for participation in the Framework Arrangement;
 - c) the scope of activities of the Framework Arrangement;
 - d) information security arrangements;
 - e) the process for managing any changes to the Framework Arrangement;
 - f) the process for Participating Authorities to adopt these Terms; and
 - g) the organisation and practical matters of operation of the Framework Arrangement.

C. Scope of Framework Arrangement and Status of Terms of Reference

EXECUTION VERSION

10. The scope of the Framework Arrangement covers all clearing services provided by LME Clear Limited and LME Clear Limited's governance, controls, structure, arrangements and processes implemented or provided by LME Clear Limited to facilitate, enable and risk manage the provision of clearing services.
11. These Terms, and the operation of the Framework Arrangement arising from their adoption, do not affect any other arrangements between two or more Participating Authorities or any arrangements between a Participating Authority and any other third party or parties, including any bilateral or multilateral arrangements between the Bank of England and another authority or authorities that may be put in place with regard to the supervision and oversight of LME Clear Limited as mandated by relevant legislation, regulatory development or otherwise, either at the time of signature of these Terms or at a future date. Nothing in these Terms will prescribe, mandate or limit the ability of the authorities with statutory responsibility for the supervision or oversight of LME Clear Limited to develop and operate other arrangements for regulatory co-operation with regard to LME Clear Limited. For the avoidance of doubt, such bilateral or multilateral arrangements will operate independently of and in parallel to the Framework Arrangement governed by these Terms.
12. It will be a required precondition for participation in the Framework Arrangement that the authority acknowledges and supports the establishment of this Arrangement and that its participation in it is consistent with these Terms.
13. These Terms, and any participation in the Framework Arrangement resulting from an authority's adoption of these Terms, do not modify or supersede any laws, rulemaking or regulatory requirements in force in, applying to or due to apply to the UK or any other jurisdiction. These Terms are not intended to constrain the discretion of the Bank of England or any other authority in any way in the discharge of its functions nor prejudice the individual responsibilities or autonomy of any authority with regards to LME Clear Limited.
14. These Terms do not create any binding legal obligations.
15. These Terms will be treated as coming into effect as at the date stipulated by the Bank of England on the final page of this document. A new authority wishing to join this Framework Arrangement shall observe these Terms as from the date on which they sign a letter acknowledging acceptance of these Terms in accordance with paragraph 37.

D. Organising Authority

16. The Bank of England will take primary responsibility to facilitate the operation and further development of the Framework Arrangement.

E. Participation of Authorities in the Framework Arrangement

17. An authority participating in the Framework Arrangement is referred to in these Terms as a Participating Authority. In order to act as a Participating Authority, an authority must satisfy the criteria for participation in the Framework Arrangement at the point of adoption and on an ongoing basis. The Bank of England will assess an authority's eligibility against the qualification criteria.

EXECUTION VERSION

18. Where in the Bank of England's opinion a Participating Authority has ceased to meet the criteria for participation in this Framework Arrangement, the Bank of England may at its discretion give written notice to such Participating Authority that its participation in this Framework Arrangement will be terminated. The Bank of England will inform the remaining Participating Authorities of such notification of termination. Unless otherwise specified by the Bank of England (having regard in particular to whether a legal gateway continues to exist between the Bank of England and the Participating Authority) or agreed between the Bank of England and the Participating Authority, participation in accordance with the Terms governing this Framework Arrangement by the Participating Authority will continue until the expiration of 30 calendar days after the date on which the Bank of England gave written notice of termination of participation to the Participating Authority. If the Participating Authority considers that it does meet the criteria for participation in this Framework Arrangement, the Participating Authority may provide an explanation of why it considers that it continues to meet the criteria for participation to the Bank of England within 14 calendar days of receipt of the written notice from the Bank of England. The Bank of England will consider any explanation it receives and within a reasonable period of time will provide an update to the Participating Authority on whether the explanation has affected the Bank of England's decision to terminate the Participating Authority's participation in the Framework Arrangement. If, following receipt of the explanation, the Bank of England continues to be of the opinion that the Participating Authority has ceased to meet the criteria for participation, the Bank of England will specify the date of termination of participation by the Participating Authority in the Framework Arrangement. Provided that a legal gateway continues to exist between the Bank of England and the Participating Authority, the Bank of England will endeavour to fulfil pending requests made before the Bank of England gave the written notice to the Participating Authority. Following the expiry of any period of continued participation in this Framework Arrangement in accordance with this paragraph, notice of termination to a Participating Authority under the Framework Arrangement releases the terminated authority from any commitments entered into under, and observance of, the Terms of this Framework Arrangement, with the exception of the use of information provisions and the confidentiality provisions which shall continue to apply to any Confidential Information provided prior to termination.
19. Should changing conditions result in a Participating Authority reaching the opinion that it no longer meets the criteria for participation in this Framework Arrangement the Participating Authority shall discuss with the Bank of England a timeline for it to cease participation in this Framework Arrangement.
20. Each Participating Authority must provide the Bank of England with contact details for two members of staff to act as its representatives for the purpose of this Framework Arrangement. The nominated representatives of a Participating Authority should be sufficiently senior to be able to express the position of the Participating Authority but should also have an appreciation of the detailed points regarding the operation and regulation of LME Clear Limited. One representative will be nominated as the primary representative, the other as the secondary representative. These representatives will participate in the Framework Arrangement and will act as the contact point for the provision of information, information requests and crisis information sharing under the

EXECUTION VERSION

Framework Arrangement and for any administrative purposes related to the operation of these Terms.

21. The Bank of England will use these designated contacts for the sending of all information under this Framework Arrangement. Such contact details must be communicated to the Bank of England in writing, and should include:
 - a) the name of the contact person;
 - b) the telephone number of the contact person;
 - c) an email address for the contact person; and
 - d) a mailing address for the contact person.

22. A Participating Authority may amend the details of its representatives by notifying the Bank of England by email.

F. Participation requirements for the Framework Arrangement

23. The Framework Arrangement will comprise authorities that wish to engage in regulatory co-operation with regard to LME Clear Limited and which are:
 - i) central banks of issuance of currencies for which LME Clear Limited settlements are systemically important against the PFMI; or
 - ii) central banks providing standing account facilities to LME Clear Limited; or
 - iii) authorities that have statutory responsibility, under national or supra-national law, for the supervision or oversight of LME Clear Limited, clearing services operated by LME Clear Limited, LME Clear Limited's significant clearing members and/or other FMIs with which LME Clear Limited has a significant relationship or interdependency.

24. In line with Responsibility E, the Bank will consider requests from authorities with a relevant interest in LME Clear Limited, as specified in paragraph 23. The Bank will inform all Participating Authorities if any new authority joins the Framework Arrangement. The Bank of England will carry out periodic reviews of the membership of the Framework Arrangement and of these Terms.

EXECUTION VERSION

G. Activities of the Framework Arrangement

25. Co-operation in the Framework Arrangement will encompass the reciprocal exchange of regulatory information, regulatory perspectives and opinions related to LME Clear Limited between the Participating Authorities. A Participating Authority shall consider discussing with the other Participating Authorities any forthcoming regulatory interaction with LME Clear Limited if it considers that this may be of interest and relevance to the other Participating Authorities.
26. Except where regular intervals are specified below, information will be shared on a periodic basis with summary reports given in in-person meetings or as otherwise discussed by Participating Authorities. Information sharing and related discussions between Participating Authorities regarding member defaults and market emergencies will take place as soon as is practical taking into consideration operational arrangements and any need for a Participating Authority to gain approval for the disclosure of information.
27. Co-operation in the Framework Arrangement will include mutual discussion of Participating Authorities' views and regulatory assessments of LME Clear Limited, primarily through discussion of regulatory assessments and material risk issues raised by LME Clear Limited's business and risk management practices and/or proposed changes to these practices.
 - (a) All Participating Authorities, including the Bank of England, maintain the right to prepare their own independent analyses and assessments of LME Clear Limited. The Bank of England will regularly assess LME Clear Limited against the CPMI-IOSCO Principles for Financial Market Infrastructures and in this regard consider the views of the Participating Authorities. If a Participating Authority conducts its own assessment of LME Clear Limited, it will consider the views of the Bank of England before finalising its analysis and conclusions. Any Participating Authority which conducts an assessment of LME Clear Limited will consult the other Participating Authorities, where practicable. Consultations conducted under this Paragraph may be either bilateral between the two relevant Participating Authorities or multilateral, involving other Participating Authorities, as appropriate.
 - (b) A Participating Authority, including the Bank of England, which conducts an assessment of LME Clear Limited against the CPMI-IOSCO Principles for Financial Market Infrastructures will, when assessing procedures for any currency for which LME Clear Limited's payment and settlement arrangements and its related liquidity risk-management procedures are systemically important, consult the relevant central bank of issue and will consider the views expressed by the central bank before finalising its analysis.
 - (c) An assessment of LME Clear Limited conducted by a Participating Authority (including results and related reports) will not be disclosed to the public unless the Participating Authorities agree otherwise. Where

EXECUTION VERSION

disclosure is required by statutory responsibilities, charters, or publically stated policy, the Participating Authority required to disclose the assessment (the 'Disclosing Authority') will share its assessments with the other Participating Authorities before the assessment is made publicly available, and will provide an opportunity for other Participating Authorities to raise any concerns. The Disclosing Authority will not attribute or imply any views, participation, or approval of another Participating Authority in assessments publicly disclosed without the consent of such party.

28. If the Participating Authorities jointly identify areas in which LME Clear Limited could strengthen its compliance with the CPMI-IOSCO Principles for Financial Market Infrastructures, then the Participating Authorities may seek to induce positive change at LME Clear Limited through the Bank of England. This would include the comprehensive and timely reaction by the Bank of England to any such concerns.
29. A Participating Authority should provide the other Participating Authorities with details of the authorisation or licenses, issued by that Participating Authority to LME Clear Limited, in its respective jurisdiction and the requirements that attach to such regulatory status. A Participating Authority should also notify the other Participating Authorities as soon as practical of changes to regulatory, supervisory or oversight requirements in its jurisdiction, which it considers may have material implications for the oversight of LME Clear Limited in other jurisdictions.
30. It is envisaged that regulatory cooperation in the Framework Arrangement will include the following areas, unless such information is already made available to the Participating Authorities through alternative channels:
 - a) Periodic data reports covering all relevant services of LME Clear Limited, to be distributed by the Bank of England by email, containing data on margin, collateral and other key indicators, the content and format of which will be developed by the Bank of England in consultation with the other Participating Authorities and reviewed periodically;
 - b) information on any events of member default that have occurred, including details of use of LME Clear Limited's default protections and default management processes that have occurred and which impact the operation or resilience of LME Clear Limited and the total level of financial resources remaining at LME Clear Limited for default management purposes;
 - c) discussion of regulatory assessments against international standards, such as the CPMI-IOSCO Principles for Financial Market Infrastructures or, where each Participating Authority deems it appropriate, other standards or requirements that a Participating Authority implements, or self-assessments of LME Clear Limited against international standards, when such assessments have been made;
 - d) where each Participating Authority deems it appropriate, Participating Authorities' regulatory opinions and priorities;

EXECUTION VERSION

- e) in accordance with Annex 1, information in the event of a business continuity event, member default, force majeure, market emergency or other non-business as usual event and which impact the operation or resilience of LME Clear Limited;
 - f) details of any material changes to the ownership, regulatory status, senior management, product or service offering, risk management or control processes or operational methodology implemented or proposed by LME Clear Limited;
 - g) where a Participating Authority deems it appropriate, notice of any action (including enforcement) proposed or undertaken by that Participating Authority with regard to LME Clear Limited.
31. The Bank of England may also distribute such other information as it judges appropriate, which may include information with regards to the governance, controls, arrangements and processes that LME Clear Limited maintains should such information be required by a Participating Authority to inform that authority's regulatory assessment of LME Clear Limited or its assessment of LME Clear Limited's systemic importance in the Participating Authority's jurisdiction.
32. The Bank of England will facilitate the notification, without undue delay, by LME Clear Limited to Participating Authorities of proposed new business or material changes related to LME Clear Limited's services so that Participating Authorities may identify any questions or concerns. The home supervisory authority would consider these questions and concerns and arrange appropriate follow up to address these. For the avoidance of doubt, this notification provision does not override or replace any requirements on LME Clear Limited to meet any regulatory requirements placed on them by any Participating Authority that has statutory oversight of LME Clear Limited outside of this arrangement.
33. An in-person meeting of Participating Authorities will be held on at least an annual basis. The Bank of England will organise and Chair this meeting, but it may be hosted by another Participating Authority subject to the mutual decision of that authority and the Bank of England. Meetings of Participating Authorities will be subject to an agenda, to be set by the Bank of England in consultation with the other Participating Authorities and distributed no later than one week before the meeting. The Bank of England will endeavour to provide written documentation to support discussion at the meeting no later than one week before the meeting. The Bank of England will produce a formal minute of a meeting of Participating Authorities and provide the Participating Authorities with the opportunity for comment before this minute is finalised. The minutes are for the benefit of the Participating Authorities and will not be made publically available. Additional in-person meetings may be held subject to the support of the Participating Authorities. Each Participating Authority, other than the Bank of England, will be represented at in-person meetings of Participating Authorities by only one member of its staff, unless the Bank of England, acting at its discretion, permits one or more Participating Authorities to be represented by more than one member of staff. Generally this member of staff will be the person designated by the Participating Authority as its primary representative, but the Participating Authority may be represented by an alternative person at the discretion of the Participating Authority in question. To facilitate the effectiveness of the in-person meetings, the Bank of England may be represented by more than one member of staff. The Bank of England may, on notification to Participating Authorities, invite authorities qualifying under paragraph 23

EXECUTION VERSION

which are not yet signatories to this Framework Arrangement to participate in meetings and discussions as observers, subject to relevant confidentiality agreements being in place.

34. In light of the absence of a cap on the number of authorities that may participate in this Framework Arrangement, the Bank of England reserves the right to limit in-person attendance at meetings to a sub-set of authorities where it considers that it would be impossible or impracticable to accommodate representatives from each Participating Authority. In such cases, precedence will be given to central banks of issuance of the most material currencies, authorities with responsibility for supervision or oversight of LME Clear Limited's most material clearing members, and authorities with statutory responsibility for the supervision or oversight of LME Clear Limited or clearing services offered by LME Clear Limited. All Participating Authorities will receive papers and minutes of meetings and will be able to participate in meetings via conference call.
35. The Bank of England may direct a conference call to be held between the Participating Authorities, either on its own initiative or following a request by any Participating Authority. Where practical, notice of ten business days will be given before such a conference call is held, and such conference calls will be subject to an agenda and will be formally minuted, following the arrangements for in-person meetings of the Participating Authorities.
36. Should the Bank of England assess it to be appropriate and practical, representatives from LME Clear Limited may be invited to attend in-person meetings and conference calls to directly provide updates, information and answer questions.
37. A Participating Authority may request information additional to that covered under paragraph 30 from the Bank of England or from any other Participating Authority (the 'requested authority'). The Bank of England may also request information from any Participating Authority. Such requests for the provision of information or other assistance will be made in writing where possible, but in urgent cases may be made verbally and confirmed in writing within five business days. To facilitate assistance, the Participating Authority making a request (the 'requesting authority') to the Bank of England should specify in its request:
 - (a) the information or other assistance sought;
 - (b) a general description of the matter which is the subject of the request;
 - (c) the purpose for which the information or other assistance is sought;
 - (d) if the requesting authority is seeking confirmation of the accuracy of information provided by the requested authority and the nature of the confirmation sought;
 - (e) if the requesting authority is seeking further information in relation to information provided by the requested authority and should specify the nature of the further information sought;
 - (f) where onward disclosure of information provided to the requesting authority is likely to be necessary, the identity of the person to whom disclosure may be made and the reasons for such disclosure; and
 - (g) the desired time period for a reply.

EXECUTION VERSION

Other Participating Authorities that have processes that need to be followed with regard to requests for confidential information that they receive should inform the Participating Authorities of such processes.

H. Process for adoption of Terms of Reference

38. In order to be eligible to act as a Participating Authority, an authority must acknowledge in writing to the Bank of England that it supports the establishment of this Arrangement and that its participation in the Arrangement will be consistent with these Terms. Such acknowledgement should be in the form set out in Annex 2 to these Terms. This form should be signed by an authorised signatory who has the relevant authority in accordance with the authority's internal corporate governance or board approvals. Such acknowledgement must be made no later than five business days before the authority in question commences its participation in this Framework Arrangement. Before an authority in question commences its participation in this Framework Arrangement, the Bank of England will confirm to all authorities that are already Participating Authorities that the authority in question has acknowledged in writing its acceptance of these Terms.
39. Each Participating Authority must ensure that it is able to continue to observe these Terms on an ongoing basis. Should a Participating Authority become aware that the acknowledgement it has made to the Bank of England in the form provided in Annex 2 ceases to be valid or will cease to be valid in the foreseeable future, the Participating Authority must inform the Bank of England of this as soon as is practical. On the receipt of such notice the Bank of England may choose to suspend or prohibit the authority in question from continuing to participate in the Framework Arrangement.
40. A Participating Authority may cease its participation at any time on the provision of written notice to the Bank of England that it has ceased participation in the Framework Arrangement and therefore ceased to observe these Terms. Any such termination of participation of the Framework Arrangement will release the authority ceasing participation from observance with these Terms, with the exception of the provisions of these Terms regarding confidentiality and use of information.
41. The Bank of England may, for good cause and at its discretion, suspend a Participating Authority's participation in the Framework Arrangement at any time and without notice if the Bank of England, acting reasonably, assesses that the authority in question has not materially observed these Terms. The Bank of England will endeavor to avoid taking such action by providing notice of its intention to suspend the participation of the authority before the suspension takes effect and by discussing any actual or possible issues of non-observance of these Terms with the Participating Authority in question.

I. Confidentiality and Uses of Information

42. In these Terms, "Confidential Information" means any non-public information relating to the business or other affairs of any person or firm (including supervisory judgments or opinions of a Participating Authority) that is received by a Participating Authority through its participation in the Framework Arrangement.

EXECUTION VERSION

43. A legal gateway³ must exist between the Bank of England and each authority participating in this Framework Arrangement to enable the Bank of England to exchange Confidential Information with each authority, pursuant to FSMA. A Participating Authority other than the Bank of England may require specific and additional arrangements to be in place between it and the Participating Authorities to control and manage any provision of Confidential Information it may share under this Framework Arrangement and the potential use of such Confidential Information by the Participating Authorities that receive it⁴.
44. All Confidential Information will be treated as confidential by the receiving Participating Authority to the extent permitted by applicable law (including by ensuring that all persons dealing with, or having access to such information are bound by obligations of professional secrecy) and, subject to the provisions on disclosure below, will be used by, within, and among the Participating Authorities only within the context of this Framework Arrangement and in connection with their regulatory, supervisory, or oversight responsibilities under, and subject to, applicable laws or charters. Confidential Information received by a Participating Authority from any other Participating Authority, including the Bank of England, will not be disclosed other than in connection with those responsibilities or pursuant to legal obligations, and subject to the provisions set out below.
45. Except as provided in paragraphs 46, 47, and 48 below, before a Participating Authority ('Participating Authority A') discloses any Confidential Information received from another Participating Authority ('Participating Authority B'), Participating Authority A will request and obtain prior consent from Participating Authority B which shall not be unreasonably withheld. Each Participating Authority will endeavor to respond to a request to disclose information within twenty calendar days.
46. Notwithstanding paragraph 45, a Participating Authority ('Participating Authority A') that receives Confidential Information from another Participating Authority ('Participating Authority B') may, without obtaining the consent of Participating Authority B, discuss such information with a third Participating Authority, provided that the authority with whom the Confidential Information is discussed has already received the same information in accordance with the Terms of this Framework Arrangement.
47. In the event that a Participating Authority ('Participating Authority A') is required by statute or legal process to disclose Confidential Information provided by another Participating Authority ('Participating Authority B'), Participating Authority A will, to the extent permitted by law, inform Participating Authority B about such possible compelled disclosure and seek Participating Authority B's prior consent. If Participating Authority B does not consent to such disclosure, Participating Authority A will assert all appropriate

³ A 'legal gateway' is a provision in legislation which allows a person, such as the Bank of England, to disclose information to another person. For example, the FSMA Disclosure of Confidential Information Regulations 2001 lists persons to whom disclosure of confidential information (as defined in s.348 FSMA) can be made and the purpose for which the disclosure can be made. The Bank of England can only disclose confidential information where a legal gateway permits. Under parts of the Regulations a MoU must exist between the Bank of England and authorities in order to fully establish the legal gateway.

⁴ The Bank of England is not aware of any additional gateways required between the Bank and Participating Authorities to allow the Participating Authorities to share confidential information with the Bank; sufficient gateways (in addition to this Framework Arrangement) are already in place. A list of these authorities is attached as Annex 3 to this arrangement.

EXECUTION VERSION

legal exemptions or privileges from disclosure that may be available. If despite such efforts, disclosure of the Confidential Information is ultimately compelled, Participating Authority A will, to the extent permitted by law, inform Participating Authority B in advance of such disclosure.

48. Subject to Paragraph 51, a Participating Authority ('Participating Authority A') may disclose Confidential Information provided by another Participating Authority ('Participating Authority B') to its national, state or provincial public sector financial authorities⁵, subject to Participating Authority A, to the extent permitted by the law applicable to Participating Authority A, informing Participating Authority B about such disclosure and Participating Authority A obtaining the public sector financial authority's agreement to keep such Confidential Information confidential and not further disclose it except in accordance with paragraph 45 of these Terms.
49. No privileges, immunities, or confidentiality associated with Confidential Information provided by a Participating Authority are intended to be waived as a result of sharing such information pursuant to these Terms.
50. Notwithstanding these Terms, a Participating Authority may inform financial institutions of, or otherwise make public, risks or deficiencies it has identified at LME Clear Limited where doing so is in connection with its responsibilities or pursuant to legal obligations, even when the knowledge of such risks or deficiencies is partly or in whole based on Confidential Information, so long as no Confidential Information provided by any other Participating Authority is disclosed, except in accordance with these Terms.
51. If a Participating Authority disclosing information seeks to impose further restrictions on disclosure or use of such information beyond those noted in these Terms it must set these out expressly when disclosing Confidential Information. Participating Authorities receiving Confidential Information subject to any such further restrictions shall agree to observe, to the extent permitted by applicable statute or legal process, the restrictions on disclosure or use of such information required by the Participating Authority that has provided the data.
52. For the avoidance of doubt, these Terms place no obligation or expectation on a Participating Authority to share Confidential Information.
53. The existence of this Arrangement may be publicly disclosed. Participating Authorities may publicly disclose an outline of the provisions of this Arrangement or all or portions of this Arrangement itself, except for Annex 3 and the signing pages of other Participating Authorities than the one publically disclosing the Arrangement or parts of it, if required to do so by law, or if such public disclosure is in the proper exercise of its functions, powers or obligations. If a Participating Authority discloses any part of this Arrangement, it will inform the Bank of England, which will inform the other Participating Authorities.

J. Changes to Terms of Reference

⁵ "National, state or provincial public sector financial authorities" is defined as public sector financial authorities meaning central banks, securities and market regulators and prudential supervisors of financial market participants

EXECUTION VERSION

54. These Terms can be amended by obtaining the mutual and unanimous consent of the Participating Authorities, as expressed by each Participating Authorities' nominated representative in writing. Such amendments may be in response to the publication of new or amended international standards or guidance with regard to international regulatory co-operation.
55. Any Participating Authority, including the Bank of England, may cease their participation in this Framework Arrangement at any time at its discretion. Such a withdrawal from this Framework Arrangement may be effective immediately, but as a matter of practice the Participating Authority that intends to withdraw will endeavor to give the other Participating Authorities notice of not less than one month prior to its withdrawal. The Participating Authority that intends to withdraw should provide the Bank of England with advance notice of its intention to withdraw and should inform the remaining Participating Authorities of its reasons for withdrawing from the Arrangement. Withdrawal from the Framework Arrangement releases the withdrawing authority from any commitments entered into under these Terms, with the exception of the use of information and confidentiality provisions which shall continue to apply to any Confidential Information provided prior to withdrawal.
56. Operation of these Terms will be suspended, with immediate effect, upon the Bank of England, as Chair of this Framework Arrangement, ceasing to participate in this Framework Arrangement. Following such suspension, the use of information and confidentiality provisions shall continue to apply to any Confidential Information provided prior to suspension.
57. Termination of these Terms will be effective immediately upon LME Clear Limited ceasing to provide clearing services. Following such termination, the use of information and confidentiality provisions shall continue to apply to any Confidential Information provided prior to termination.

With effect from 08 March 2021

EXECUTION VERSION

Annex 1:

Member default and market emergency⁶

1. In the event of a market emergency or member default directly linked to LME Clear Limited, the Bank of England (or where relevant any other Participating Authority) will share with Participating Authorities the following information, where possible and as soon as practical:
 - a) Details of the emergency;
 - b) Actions likely to be taken by the Bank of England (or by any other Participating Authority, should the Bank of England be aware of any such possible action and the Participating Authority in question consents to the sharing of this information by the Bank of England);
 - c) Actions being taken by LME Clear Limited, including under its default rules;
 - d) If applicable, details of any default protections exercised; and,
 - e) Any other available information that would be of particular interest and relevance to other Participating Authorities.

Communication

1. The Bank of England (or, where relevant, any other Participating Authority) will, where necessary, facilitate a conference call, taking into account:
 - a) whether other authorities should be invited to the call; and
 - b) whether it would be appropriate to contact other crisis communication networks beyond this Framework Arrangement.
2. The Bank of England (or, where relevant, any other Participating Authority) will use the contact details referred to in paragraph 21 of these Terms. These representatives are responsible for notifying relevant individuals in their authorities where necessary and subject to confidentiality restraints.

Confidentiality

3. Subject to the provisions of these Terms regarding confidentiality and use of information, the Bank of England will decide on whether it may be appropriate to distribute information provided by the Bank of England on the market emergency outside the primary and secondary representatives of the Participating Authorities and, if so, in what form and scope.

⁶ Notwithstanding any other arrangement and where there is (a serious threat of) a major disruption to the functioning of the CCP or there is significant evidence to indicate that there is a high risk of a default of a major participant in the CCP or such a default has occurred.

EXECUTION VERSION

Annex 2:

[Pro-forma letter acknowledging acceptance of these Terms

To be printed on the letter headed paper of the signatory organization]

To:

The Executive Director, Financial Market Infrastructure Directorate MG5-SE
Bank of England
20 Moorgate
London
EC2R 6DA
United Kingdom

Date

Dear Sirs,

Terms of Reference Governing the Operation of the Framework Arrangement for the Multilateral Regulatory, Supervisory and Oversight Co-operation Arrangement for LME Clear Limited (“the Terms”)

[Full name of signatory authority] consents to establish and participate in this Arrangement in a manner consistent with the Terms contained in the document dated [...] to which this letter is appended with effect from the date of signature of this letter until further notice.

I am an authorised signatory on behalf of [Full name of signatory authority] and have the relevant authority (delegated or otherwise) to complete this form for and on behalf of [Full name of signatory authority]

Yours faithfully,

Signature _____

Print name _____

Position title _____

Date _____