

Explanatory Statement – change in administration of the London Platinum and Palladium Fixing<sup>1</sup>

On 31 July 2014, The London Platinum and Palladium Fixing Company Limited (the “LPPFCL”) announced that it would be commencing an RFP process with a view to appointing a third party to assume responsibility for the administration of the London Platinum and Palladium Fixing; the twice-daily benchmark for the loco London platinum and palladium markets<sup>2</sup>. On 16 October 2014, further to completion of the RFP process, the LPPFCL announced that the London Metal Exchange (the “LME”) would, with effect from 1 December 2014, become the new administrator of the London Platinum and Palladium Fixing.

Members of the ISDA Energy, Commodities and Developing Products Committee met by teleconference on 15 October to discuss the implications of the change to the administration of the London Platinum and Palladium Fixing for outstanding transactions that reference the Palladium Fix and/or the Platinum Fix as calculated by the LPPM (including, without limitation, the 2005 ISDA Commodity Definitions Commodity Reference Prices “PALLADIUM-A.M. FIX”, “PALLADIUM-P.M. FIX”, “PLATINUM-A.M. FIX” and “PLATINUM-P.M. FIX”, each as set out in the Annex to this statement) and have a term beyond 30 November 2014 (such transactions, the “Affected Transactions”).

ISDA, in consultation with market participants, is issuing this statement in addition to the Amendment Agreement as a means of assisting market participants in treating Affected Transactions. Parties are not obligated to enter into the Amendment Agreement and may choose to negotiate alternative means of treating Affected Transactions. The Amendment Agreement seeks to replace references to “PALLADIUM-A.M. FIX”, “PALLADIUM-P.M. FIX”, “PLATINUM-A.M. FIX” and “PLATINUM-P.M. FIX” with references to new Commodity Reference Prices, which may include a reference to the new London Palladium Price and/or London Platinum Price each administered by the LME, as applicable. Furthermore, the Amendment Agreement anticipates the possibility that the London Palladium Price and/or the London Platinum Price may become known as the LBMA Palladium Price and/or the LBMA Platinum Price (as applicable) in the future. As noted above, ISDA understands that loco Zurich Platinum and Palladium reference pricing is no longer provided by the LPPM, and in line with this, the LME will also only be providing loco London pricing. Parties electing to amend the Affected Transactions through the Amendment Agreement may do so with effect from 1 December 2014.

ISDA encourages member firms to refer their clients (who may not be ISDA members) to this Statement (and the Amendment Agreement) in the interest of informing all market participants of the changes to the administration of the London Platinum and Palladium Fixing. ISDA notes that many Affected Transactions may be governed by bilateral agreements that offer other responses to this situation, unless the parties agree otherwise.

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<sup>1</sup> This explanatory statement was issued by ISDA on 26 November 2014.

<sup>2</sup> ISDA understands that since September 2009, the London Platinum and Palladium Market (the “LPPM”), who currently administers the London Platinum and Palladium Fixing through the LPPFCL, ceased to provide Platinum and Palladium reference pricing on a loco Zurich basis, with all relevant reference pricing transitioned to loco London.

## Annex

In accordance with Sub-Annex A of the 2005 ISDA Commodity Definitions, the Commodity Reference Prices "PALLADIUM-A.M. FIX", "PALLADIUM-P.M. FIX", "PLATINUM-A.M. FIX" and "PLATINUM-P.M. FIX" have the following meanings:

"PALLADIUM-A.M. FIX" means that the price for a Pricing Date will be that day's morning Palladium fixing price per troy ounce gross of Palladium for delivery in Zurich through a member of the LPPM authorized to effect such delivery, stated in U.S. Dollars, as calculated by the LPPM and displayed on Reuters Screen page "STBL" that displays prices effective on that Pricing Date.

"PALLADIUM-P.M. FIX" means that the price for a Pricing Date will be that day's afternoon Palladium fixing price per troy ounce gross of Palladium for delivery in Zurich through a member of the LPPM authorized to effect such delivery, stated in U.S. Dollars, as calculated by the LPPM and displayed on Reuters Screen page "STBL" that displays prices effective on that Pricing Date.

"PLATINUM-A.M. FIX" means that the price for a Pricing Date will be that day's morning Platinum fixing price per troy ounce gross of Platinum for delivery in Zurich through a member of the LPPM authorized to effect such delivery, stated in U.S. Dollars, as calculated by the LPPM and displayed on Reuters Screen page "STBL" that displays prices effective on that Pricing Date.

"PLATINUM-P.M. FIX" means that the price for a Pricing Date will be that day's afternoon Platinum fixing price per troy ounce gross of Platinum for delivery in Zurich through a member of the LPPM authorized to effect such delivery, stated in U.S. Dollars, as calculated by the LPPM and displayed on Reuters Screen page "STBL" that displays prices effective on that Pricing Date.