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(Incorporated in Hong Kong with limited liability)
(Stock Code: 388)

Legal proceedings involving a subsidiary

As disclosed on 24 December 2013, The London Metal Exchange (“LME”), an indirect wholly-owned subsidiary of Hong Kong Exchanges and Clearing Limited (“HKEx” or the “Company”), was named as a defendant in a judicial review claim commenced by United Company RUSAL Plc (“Rusal”) and filed in the English High Court on 23 December 2013. The judicial review sought to challenge the LME’s decision to introduce changes in its warehousing policy as announced in its notice dated 7 November 2013. The decision on changes to the warehousing policy was made following a three-month market consultation commenced by LME in July 2013 on changes to its policy regarding the delivery out rates of LME approved warehouses. The hearing of the judicial review claim took place on 26 and 27 February 2014, and judgment was handed down on 27 March 2014. Although the court found in the LME’s favour on nearly all substantive and procedural points raised by Rusal, and made no adverse comments on the substantive merits of the proposed changes to its warehousing policy, the court found in favour of Rusal on one specific procedural issue, that the consultation should have encompassed or made reference to the option of banning or capping rent in queues. The court recognised the LME’s interest in taking action to manage the queues in accordance with its obligation to maintain an orderly market and ensure the integrity of its price discovery function.

This announcement is made by HKEx pursuant to the provisions under Part XIVA of the Securities and Futures Ordinance (the “SFO”) and Rule 13.09 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the “Listing Rules”).

As disclosed on 24 December 2013, LME, an indirect wholly-owned subsidiary of HKEx, was named as a defendant in a judicial review claim commenced by Rusal and filed in the English High Court on 23 December 2013. The judicial review sought to challenge the LME’s decision to introduce changes in its warehousing policy as announced in its notice dated 7 November 2013 (the “Decision”). The Decision was made following a three-month market consultation commenced by LME in July 2013 on changes to its policy regarding the delivery out rates of LME approved warehouses.

Rusal alleged that the consultation conducted by LME was unfair and procedurally flawed, that the LME's decision to make the announced changes to its warehousing policy was flawed, and that Rusal's human rights were thereby breached.

The hearing of the judicial review claim took place on 26 and 27 February 2014, and judgment was handed down on 27 March 2014. Although the court found in the LME's favour on nearly all substantive and procedural points raised by Rusal, and made no adverse comments on the substantive merits of the proposed changes to its warehousing policy, the court found in favour of Rusal on one specific procedural issue, that the consultation should have encompassed or made reference to the option of banning or capping rent in queues. The court recognised the LME's interest in taking action to manage the queues in accordance with its obligation to maintain an orderly market and ensure the integrity of its price discovery function.

LME continues to believe that Rusal's complaint was without merit in its entirety and is currently taking legal advice with regard to its options, including appeal or re-consultation. Accordingly, the implementation of the linked load-in load-out rule change will not take place on 1 April 2014 as previously scheduled. However, the other measures in the package of reforms announced on 7 November 2013 will continue to be implemented as planned. LME will issue further information to the market in due course.

The Company will update shareholders and investors on any further developments in compliance with Part XIVA of the SFO and Rule 13.09 of the Listing Rules.

Shareholders of the Company and potential investors are advised to exercise caution when dealing in the shares of HKEx.

By order of the Board
Hong Kong Exchanges and Clearing Limited
Joseph Mau
Company Secretary

Hong Kong, 27 March 2014

As at the date of this announcement, HKEx's Board of Directors comprises 12 Independent Non-executive Directors, namely Mr CHOW Chung Kong (Chairman), Mr CHAN Tze Ching, Ignatius, Mr Timothy George FRESHWATER, Mr John Barrie HARRISON, Mr HUI Chiu Chung, Stephen, Dr KWOK Chi Piu, Bill, Mr LEE Kwan Ho, Vincent Marshall, Mr LEE Tze Hau, Michael, Mrs LEUNG KO May Yee, Margaret, Mr John Estmond STRICKLAND, Mr John Mackay McCulloch WILLIAMSON and Mr WONG Sai Hung, Oscar, and one Executive Director, Mr LI Xiaojia, Charles, who is also HKEx's Chief Executive.