ANNEX C

CONSULTATION QUESTIONS

Chapter 1

Scope

1. *Do you agree with the scope of the report and intended audience? Are there other Benchmarks or stakeholders that have idiosyncrasies that should place them outside of the scope of the report? Please describe each Benchmark or stakeholder and the idiosyncrasies that you identify and the reasons why in your view the Benchmark or stakeholder should be placed outside of the scope of the report.*

The scope of the report, including the definition of benchmarks, is quite broad, and Platts would urge IOSCO not to take a "one size fits all" approach. Platts believes that it should be outside the scope of the report because it is an independent publisher that reports on the markets it serves and whose methodologies do not have the inherent deficiencies of some benchmarks that are not produced independently and are not based on robust actual market information. As an observer of marketplace activity, Platts understands and agrees benchmarks should meet standards that allow them to be trusted by producers, consumers and other stakeholders. However, benchmarks are achieved in markets by different mechanisms, and it is important to understand the individual markets that are served by these benchmarks, how the benchmarks are constructed by looking at their methodologies and the business model of the entities that publish these benchmarks. In particular, there are benchmarks that are utilized in markets where a benchmark is developed, calculated and published by direct participants in the market with a vested interest in the benchmark, and there are benchmarks developed, calculated and published by independent parties who have no financial interest in the numerical value of the benchmark.

Platts believes that benchmarks produced by independent parties should be considered with care and that great thought should be put into any constraints placed on those publishers. Independent publishers' function is to inform the public and customers in as transparent a manner as possible and to report on what is happening in the marketplace. This distinguishes independent publishers such as Platts from financial entities that can, at times, participate directly in the financial markets.

Also, unlike financial entities, Platts does not have a systemic role in the financial system. Platts believes that a systemic impact by definition originates at the market level, and not at the information reporting level. Independent publishers such as Platts do not make or lead markets or otherwise influence transactional risk. Their primary impact is in bringing informational clarity to markets.

Platts would also urge IOSCO in its report not to recommend for all benchmarks, including specifically those produced in the commodities markets by publishers such as Platts, mandatory price reporting and other regulatory action, which run the risk of unintended consequences, namely a retreat from participation in price discovery and reduced market transparency in existing benchmarks, which would be detrimental to the effective functioning of energy and other commodity markets. Moreover, recognition needs to be given to the global nature of commodity markets and the fact that price benchmarks reflect a clash of market forces on a broad scale, where there is no special dispensation in favor of producers or consumers, developed or developing economies, and that price is the primary driver of arbitrage and the needed determinant preventing surpluses or shortages. Any intervention in price formation that leads to prices that are not reflective of market value can adversely impact the efficient functioning of global markets.

Chapter 2

Benchmark design

2. *Do you agree that the design of a Benchmark should clearly reflect the key characteristics of the underlying interest it seeks to measure?*

Platts agrees that every benchmark should be designed in a way that reflects the value of the commodity that the benchmark represents. Once this principle is accepted as the overarching principle, it is important to note that world markets are diverse and heterogeneous in nature. This means that one size does not fit all when it comes to benchmark design. Market participants, particularly those bearing risk associated with the use of a particular benchmark in a particular market, are typically well positioned to decide which benchmark design best suits the need for a benchmark that reflects its specific market characteristics.

In Platts' experience of designing benchmarks in the commodities markets, and through observation of the benchmark solutions available to markets today, it is clear that there are many ways to design a benchmark. Any design should typically address three critical components: (1) the specifications or attributes of the commodity reflected by the value published; (2) the process and standards employed to collect data used to assemble the benchmark value; and (3) the methodology applied to this data in order to generate a final published benchmark value.

The combined effect of these three features of a benchmark –specifications, data collection standards and applied methodology – will typically govern how well a benchmark reflects an underlying market.

Quality and integrity of Methodologies

3. *What measures should Administrators take to ensure the integrity of information used in Benchmarking-setting and that the data is bona fide? Please highlight any additional measures required where Benchmarks are survey based. Please also comment on each of the factors identified in the discussion on the 'vulnerability of data inputs' such as voluntary submission, discretion exercised by Administrators. Are these measures adequately reflected in the discussion of roles and responsibilities of the Administrator discussed in section E?*

Administrators should review price assessment processes on an on-going basis to ensure they are robust and are used to publish representative market values. Independent publishers, who depend on continual marketplace acceptance of the quality of their data, will utilize a number of mechanisms to accomplish this.

As an example, Platts analyses markets, reviews activity, engages with the marketplace and generates publications and services that are successful only if they are believed to add value to customers. For Platts, integrity of pricing does not just refer to the logical processes for observing markets for purposes of determining price assessments, but also to the systems that deliver the right result from a foundation of reliable data and well-structured methodologies.

Platts strives to make the process by which it arrives at published prices as transparent as possible. In the oil markets, Platts now discloses the names of market participants, on the principle that if as a result of a purchase or sale of a commodity there is an impact on price, then the market should be given transparency. Additionally, Platts publishes comprehensive price-reporting methodologies, regularly updated, on its website at www.platts.com.

Most importantly, in terms of process, Platts employs real-time information systems in the interest of transparency. Teams of Platts market editors publish in real time the bids, offers, transactions and other market information as it becomes known to us. The effect is to create a virtual community in which market participants are visible to one another, and any anomalous behaviour can be identified.

Platts has also developed mechanisms that encourage submission of data by many different types of sources, both producers and consumers, and has developed assessment methodologies that rely on many types of market data – bids, offers, transactions and data from associated markets. These data are combined using discretion. Platts believes that markets can be properly served by utilizing benchmarks that are arrived at through these mechanisms. The key is to have a publisher who is operating independently of the markets, observes data and tests it for appropriate quality, and puts forward assessments that are as transparent as possible and can be openly tested by anyone who is interested in the market. Platts employs a range of techniques, from traditional survey methods, where transactions are discovered via contact with market participants and then verified with counterparties, all the way to assessment systems where bids, offers and transactions are observed in real time and with full transparency. While methodologies may differ, all of these approaches have the common goal of having data inputs of the highest quality, and assessment processes governed by clear and public methodological statements.

4. *What measures should Submitters implement to ensure the integrity of information provided to Administrators? Are these measures adequately reflected in the discussion of a code of conduct for Submitters discussed in section E? In particular, should Submitters submit all input data and not a selection of such data so as to maximise the representation of the underlying market? Please comment on any practical issues that compliance with such an approach may give rise to.*

In Platts' experience, it is helpful — but not essential — to have a complete set of market data from every data provider. It is critical to have a *high quality* set of data, including time stamps, counterparty identities, and supporting information, including information about terms and conditions for each piece of transactional data submitted for inclusion in a benchmark process. On balance, a set of complete data which lacks verifiability is less valuable than a specific set of data which meets all expectations for verifiability, when considering data for inclusion in a benchmark value.

As a provider of benchmarks, Platts publishes its standards for data collection across the markets that it serves. The specifics may vary according to the market being assessed. In general, and across all markets, Platts takes steps to verify that the data collected is fully in line with its standards for each market, typically by verifying data with the submitters themselves, with relevant counterparts in the marketplace, and in many cases by publishing in whole or in part the data that is provided, along with final benchmark values themselves, to provide transparency around the information that has been accepted for inclusion in the benchmark assessment process.

Transparency of Benchmark methodologies

5. *What level of granularity with regard to the transparency of Methodologies would enable users to assess the credibility, representativeness, relevance and suitability of a Benchmark on an on-going basis and its limitations with respect to their intended use? Relevant factors could include; criteria and procedures used to develop the Methodology, type of data used, how data is collected, relative weighting of data used, how and when judgement is used, contingency measures (e.g., methods when transaction data is unavailable etc), publication of information supporting each Benchmark determination, etc. Please provide examples where you consider there are currently significant gaps in the provision of this information.*

There are certain elements contained in Platts' published methodologies that allow users of its assessments to assess the credibility, representativeness, relevance and suitability of a benchmark on an ongoing basis. Platts' methodologies contain standard elements across all the markets it covers. These include descriptions of data quality and submission processes; the methods Platts uses to keep price data secure and, where relevant, confidential; techniques used to formulate price assessments; and the specifications for assessed commodities. All methodologies are publicly available at www.platts.com.

Platts continuously reviews its price assessment processes to ensure they are robust and will result in representative market values. Platts analyses markets, reviews activity, engages with the marketplace and generates publications and services that are successful only if they are believed to add value to customers.

Methodologies for assessments in various commodity markets reflect the characteristics of those markets, including the size of the market, the volume and frequency of trading, and the diversity of buyers and sellers. In all cases, Platts adheres to the principle that methodologies should enable market participants to fully understand the specifications of the market being assessed, the type of data collected and how it is collected, and the components of the price assessment process.

Moreover, Platts employs a structured set of processes in the development of new methodologies and changes to existing methodologies that is characterized by extensive public engagement with market stakeholders, including producers and consumers, regulators, tax authorities, exchanges, and others. Platts believes it is important to engage with both active market participants — that is, those who participate in price formation — as well as with the more passive users of a benchmark, who nonetheless have a key interest in the integrity of the benchmark.

Transparency of contingency provisions for episodes of market disruption, illiquidity or other issues

6. *What steps should an Administrator take to disclose to Market Participants and other stakeholders the contingency measures it intends to use in conditions of market disruption, illiquidity or other stresses?*

Markets need assurance that a benchmark reference price will update regularly, consistently, and according to a publicly available publishing schedule. It is critical for a benchmark provider to offer clear guidance in advance when a benchmark will be published, and according to what timetable. Platts publishes an annual calendar on its website, www.platts.com, showing scheduled holidays in every market in the forthcoming year when assessments will not be published.

Because markets require the regular provision of updated benchmarks to function with maximum efficiency, ordinary liquidity trends within a market should not create uncertainty in the publishing or updating of benchmark values. Liquidity will by nature rise and fall in every market, often in broadly unpredictable ways.

Of course, from time to time a market disruption event will be so large that not publishing an assessment must be considered as an alternative. Benchmark providers should make clear what circumstances and types of events can lead to unplanned cessation of publication of a benchmark. Publishers should provide publicly available guidance as soon as possible if a disruptive event prevents planned publishing.

Platts has policies and procedures in place to analyze significant market disruption events in real-time, and to decide at a senior level within the organization when and if a benchmark should not be published in the event of a significant, unexpected disruption to trading activity.

Transparency over changes to the Methodology

7. *What steps should an Administrator take to notify Market Participants of material changes to a Benchmark Methodology (including to Benchmark components) and to take their feedback into account?*

Platts believes that markets are best served by methodologies that evolve to adapt to constantly changing market conditions. A process for change management that allows for timely adjustments of methodology, while providing appropriate notice of change, is critical to the well-being of any benchmark. Strong processes for requesting, receiving and reviewing feedback from all interested parties are a critical part of the change process as benchmarks evolve through time.

Platts has taken steps to clearly identify three principal categories of methodology change. These are Minor Changes, Major Changes, and Emergency Changes. Platts notifies the market of methodology changes of any type before they are introduced. Platts' methodology change policies provide for comment periods that are appropriate for each type of change. Most methodology changes, particularly major changes that impact how a value is calculated or the specifications that underpin a benchmark, allow for at least six weeks of feedback, and often as long as several months. Notification of possible changes is made through Subscriber Notes with specified formats for feedback. Major methodology changes are typically preceded by extensive bilateral discussions with market stakeholders and open public forums.

8. *How often should the Administrator review the design and definition of the Benchmark to ensure that it remains representative?*

Platts maintains a constant alertness to both the overall suitability of a methodology in the face of changing market conditions, as well as the day-to-day application of the methodology to make sure it is publishing assessments that are representative of true market value. Changing market dynamics require that methodologies be fully adaptive to these changes, which might include changes in trading patterns, changes in specifications of prevalently traded products, environmental conditions, regulatory changes, changes in taxation or alterations in any number of logistical market practices. Platts actively consults the market whenever it is considering a material change in its methodology. Platts maintains an active program of market engagement with ongoing dialogue. Sometimes these changes are encouraged by market participants and sometimes they are made by Platts on its own initiative as it aims to maintain the integrity of its assessment processes and the representative nature of its price assessments.

In both cases, Platts strives to bring these changes into place on an orderly basis and with ample notice to the marketplace to minimize any potential market disruption. Platts also carefully considers market feedback in response to proposed revisions to its methodology. In the competitive price publishing field, Platts has every incentive to try to ensure a methodology or methodology change yields representative market values in the price assessment process.

While Platts regularly reviews its methodologies to be sure they represent best practices, market conditions are ever changing and do not follow any prescribed time cycle.

Governance

9. The Consultation Report discusses a number of potential conflicts of interest that may arise at the level of the Submitters, between Submitters at different entities, and between Submitters, Administrators and other third parties. Are there other types of conflicts of interest that have not been mentioned that you consider may arise? If so, how best should these conflicts of interest be addressed? Are the measures discussed in the Consultation Report sufficient to address potential conflicts of interests at the level of the Submitters, between Submitters at different entities, and between Submitters, Administrators and other third parties?

Platts has robust policies and procedures including a conflicts of interest policy. The conflicts of interest policy is designed to ensure that decisions by the editorial department, which conducts price assessment activities, are not influenced by, or perceived to be influenced by, Platts' commercial interests. Platts maintains a separation between editorial activities and commercial activities, in that editorial employees are generally prohibited from participating in:

- Commercial discussions or decisions in relation to pricing of Platts' products;
- Budgeting and/or the establishment of revenue targets for Platts products.

Further, Platts does not evaluate any employee with editorial responsibilities based on the profits, revenues or any other financial metric associated with Platts' products. The Conflicts of Interest Policy also includes restrictions governing:

- Ownership and trading by employees of financial instruments in industries on which Platts reports;
- Commercial relationships with clients;
- Receipt of gifts from outside parties;
- Outside business or commercial activities.

Platts also maintains a comprehensive set of risk policy, process and standards documents designed to ensure the business is consistently managed within an agreed framework. Platts' Quality & Risk Management department is responsible for providing oversight of Platts' performance against risk and compliance parameters to ensure all risks are managed to an acceptable level and that the organization complies with policies, standards and relevant regulatory requirements.

As part of Platts' annual compliance program, employees are regularly required to provide compliance certifications, complete conflicts disclosure questionnaires, complete certain training programs and satisfy other compliance-related requirements.

From a broader controls standpoint, Platts has adopted a three-tier risk governance framework, which distinguishes between the management, control, and assurance of risk and compliance management.

As an element of the framework, Platts has created a Markets and Assessments Quality Group function that is charged with monitoring day-to-day control activities, and performing periodic testing to ensure editorial practices, systems and pricing standards that are undertaken by separate editorial departments are operating in accordance with our published specifications. This group is also responsible for ensuring our systems are dynamic and responsive to customer and market needs. The group advises and enhances the quality of a range of operational activities including those related to production, editorial operations and data integrity.

The Platts Markets and Assessments Quality Group works closely with the Quality, Risk and Compliance Group to provide the necessary assurances that Platts is operating in accordance with approved policies, standards and procedures.

Also, in conjunction with other price publishers Platts has drafted a principles-based, self-regulatory Code of Conduct (the **"IPRO Code"**). The key purpose of the IPRO Code is to demonstrate to third parties that the price publisher has committed, at a minimum, to conform to the high standards and principles of good governance required and promoted by the IPRO Code. The IPRO Code contains robust conflicts of interest provisions that are to be audited on an annual basis.

10. Do you agree that the Administrator should establish an oversight committee or other body to provide independent scrutiny of all relevant activities and management of conflicts of interest? Please comment if and why any different approaches might be appropriate for different kinds of Benchmarks. What is the minimum level of independent representation this committee or body should include?

Platts does not believe that it is in the best interest of the market to establish an external oversight committee or other body to provide independent scrutiny of all relevant activities and management of conflicts of interest. Platts believes the introduction of such an external body has the potential to create market disruptions and that the expertise and composition of the members of this body could be called into question, further limiting its effectiveness. Rather, Platts believes that a system of strong internal controls and governance best serves an appropriately functioning market.

Accountability

11. *Should the Submitters establish accountability procedures to assess their compliance with operational standards and scrutiny of Benchmark submissions?*

While data submitters should examine their own business practices to determine how best they convey information into the broader marketplace, Platts believes that it is ultimately the publishers of a benchmark who must determine the standards of data that they will accept, and to verify and test that the data received is appropriate to be utilized in benchmark assessment processes.

Platts has many layers of review in place that are designed to ensure operational standards are met, and separately, that data submitted for consideration in the evaluation of a benchmark meets Platts standards.

While participation in Platts' price assessment processes is voluntary, Platts expects participants to meet its data collection standards and to be accountable for the role they play in price formation. If Platts detects problems with submitted data, it routinely contacts the submitting party to discuss those issues. If corrective action is needed and not taken, Platts will exclude the party from its data collection process until it can ensure submitted data meets its standards.

12. *Are the measures discussed in the Consultation Report (e.g. Audit Trail, external audits and requirement for regulatory cooperation) sufficient to ensure the accountability of Submitters? Should additional mechanisms be considered?*

Data quality is essential to maintaining the integrity of an assessment process. Platts' overriding interest is to ensure the validity of the transactional information and other data inputs that editors use as the basis for their price assessments. In order to promote the integrity of its price assessment process, Platts monitors the data that it gathers over the course of the trading day and will only use in its assessments information it believes to be relevant and reflective of the market. The various price assessment processes as governed by the different methodologies are underpinned by editorial guidelines and protocols designed to filter out bids/offers/trades that could misinform or distort the perception of market value. As a result of these guidelines and protocols, Platts editors eliminate inputs that they believe may distort the true market level. The tools Platts uses to achieve this are as follows:

Market acceptance: Platts only recognizes data inputs from reputable companies with solid performance records and the demonstrated ability to handle logistics. In the oil markets, for instance, Platts reviews the ability of a market participant to trade with its counterparts in the market, with the goal of ensuring that all participants are capable of consummating the transactions that they commit to during the price assessment process.

Verification: Platts uses various techniques to confirm the quality of data it receives, including cross checks with counterparties as well as requests for supporting documentation. Platts excludes data which it considers to be "out of market" or does not otherwise comply with its methodological criteria. For instance, Platts may exclude bids, offers or trades where it appears that a mistake has been made, where the transaction may be between related parties, or where the transaction is anomalous. If Platts determines that a participant in the price assessment process has intentionally breached the guidelines of a methodology, it may choose to exclude that party from the assessment process altogether. In this situation, Platts will conduct an editorial review, which will typically involve discussions with the participant's management to gain assurance that Platts' public methodology guidelines will be followed in the future.

The elements noted above to assure the quality of data inputs into benchmark formation are well articulated in the IOSCO Committee 7 Principles for Oil Price Reporting Agencies, as well as the draft IPRO Code of Conduct. Platts accepts the value of clear audit trails as well as review of processes by an external auditor. Platts also believes in engagement with regulators to explain its processes, share its insights on market activity and provide information already published into the public domain. It will also respond cooperatively to appropriate informational requests, but will stop short of anything that could be construed in the marketplace as Platts becoming an arm of regulatory enforcement. Platts believes such a role is incompatible with its position as a publisher and would create a serious disincentive to the active flow of information and market data used in the formation of benchmarks, and thus potentially harm the quality of those benchmarks.

13. How frequently should Submitters be subject to audits? Should these be internal or external audits?

As stated in response to question 11, Platts believes that it is the job of the benchmark publisher to review and determine if data it obtains is of sufficient quality to meet its standards to be utilized in the benchmark assessment process. To that end, Platts has no position on whether or not a submitter would conduct an audit process on the submitter's own processes.

Accountability of the Administrator

14. *Are the measures discussed in the Consultation Report (e.g., complaints process, Audit Trail, external audits and requirement for regulatory cooperation) sufficient to ensure accountability of the Administrator? Should additional mechanisms be considered?*

Platts and other similarly situated benchmark providers are accountable because the benchmark industry is highly competitive and competitors are provided with incentives to publish indices which reflect a given market to the best of their abilities. Platts is considered relevant if it delivers quality information. The process is very simple: if a publisher fails to deliver on its core competence, its value in the market will tend to erode. Platts welcomes the opportunity to discuss its policies and procedures with policymakers and regulators and has done so in the past, including with regard to the IOSCO Price Reporting Principles and in developing along with other Price Reporting Organizations a draft IPRO Code which includes the measures referred to in question 14. Platts believes that such further discussions would demonstrate that its robust written complaints procedure, along its robust internal audit procedures and other controls, are best in class and help to instill confidence in the benchmarks it publishes.

15. If recommended, how frequently should Administrators be subject to audits? Should these be internal or external audits?

Platts shares the objective of doing all it can to inspire confidence in its work in support of the effective functioning of benchmarks in the commodity markets. In conjunction with other price publishers Platts has drafted the IPRO Code, referenced above. The IPRO Code is principles-based; its key purpose will be to demonstrate to third parties that the price publisher has committed, at a minimum, to conform to the high standards and principles of good governance required and promoted by the IPRO Code. Among its other provisions, the IPRO Code provides that each price publisher becoming a signatory to the Code would select an internationally recognized external audit firm to conduct an independent review of its compliance with the Code on an annual basis.

16. Is public self-certification of compliance with industry standards or an industry code another useful measure to support accountability? This approach might also contemplate explanation of why compliance may not have occurred. If so, what self-certification requirements would make this approach most reliable and useful to support market integrity.

As described above, the IPRO Code draft currently provides that its signatories would engage an internationally recognized external audit firm, to conduct an independent review of its compliance with the IPRO Code. The results of the review would be summarized in a report to that price publisher, issued by the auditor, and published by the price publisher within 30 days on its website. Moreover, each signatory is expected to prepare, as appropriate, an Attestation of Compliance or an Explanation of Material Non-compliance. The Attestation of Compliance or Explanation of Material Non-compliance would be signed by the price publisher's chief executive officer and would be published prominently on the price publisher's website. In the case of an Explanation of Material Non-compliance, the explanation would include the reason(s) for each case of material non-compliance and set forth a description of the remedial steps the price publisher would take (or, as the case may be, is already taking) to achieve compliance in the future.

Platts believes these measures support accountability and that the self-certification requirements described support market integrity.

Code of conduct for Submitters

17. The Consultation Report discusses elements of a code of conduct for Submitters. Are the measures discussed (e.g., adequate policies to verify submissions, record management policies that allow the Submitter to evidence how a particular submission was given, etc.) sufficient to address potential conflicts of interest identified or do you believe that other control framework principles should be added?

It is critical that submitters of data for inclusion in a benchmark creation process should submit relevant data that appropriately reflects the submitter's activities in the marketplace. Such data should also be in accordance with the data standards established by the benchmark provider. Such standards should be publicly available for review by all interested parties, to assess that the standards themselves are fit for purpose.

While certain principles of data integrity would likely be found among all such standards, a single code of conduct for submitters would not be suitable for every benchmark. World markets are diverse, heterogeneous in nature, and in different stages of development in terms of transparency and price discovery. Expectations established for data submitters must reflect that diversity to be appropriate for each market in turn. Moreover, many markets do not conform to a process of active data submission by market stakeholders to benchmark publishers. Data *gathering*, whereby benchmark publishers reach out to market participants to collect data and other market information, is the standard process.

Likewise, while it is appropriate for a burden of verification to fall upon benchmark providers, Platts notes that there can be undesirable, unintended consequences to establishing a proposed code of conduct for submitters in certain market environments. A code that makes it burdensome to report data which would otherwise be valuable to the integrity of the benchmark in question might have the unintended and unfortunate consequence of reducing the amount of information available for the creation of the benchmark. A substantial barrier to entry might also be unintentionally created for potential new information providers. In short, any requirements for submitters of data should be carefully balanced to be both necessary and workable.

18. What would be the key differences in the code of conduct for Benchmarks based on different input types, for example transactions, committed quotes and/or expert judgement?

As a publisher, Platts collects data from submitters that participate in voluntary processes. Regardless of the type of data submitted, it must meet Platts' standards for verification.

Chapter 3

Approaches to enhanced oversight

19. What are the advantages and disadvantages of making Benchmark submissions a regulated activity?

Platts believes that benchmark submissions should not be a regulated activity and that any perceived benefits would be far outweighed by the significant disadvantages of doing so. Regulating benchmark submissions runs the risk of unintended consequences. By raising the regulatory burden on data reporting activity, such action would likely cause a retreat from participation in price discovery processes in general. This would in turn reduce the amount and quality of information supporting benchmarks, which would be incompatible with regulatory goals and ultimately detrimental to the effective functioning of the physical commodity markets. Any intervention in price formation that leads to prices that are not reflective of market value can adversely impact the functioning of global commodity markets.

20. *What are the advantages and disadvantages of making Benchmark Administration a regulated activity?*

Platts believes that benchmark administration should not be a regulated activity and that any perceived benefits would be far outweighed by the significant disadvantages of doing so. Platts urges the regulatory community to consider the value of independence and impartiality in the price assessment process. Platts strongly believes that transparent systems for assessing market prices and robust governance and controls are key ingredients to building confidence in the marketplace.

Platts also believes that market confidence can best be engendered under a self-regulatory regime, such as that found in the draft IPRO Code referenced above. As recognized by IOSCO Chairman Kono during his remarks at the European Parliament's Economic and Monetary Affairs Committee meeting held on September 24, 2012, there is no need for public institutions to play a role in the governance and provision of benchmarks..

Transparency and independence are key to having robust benchmarks free from undue influence, including from public institutions. Transparency in price discovery is of paramount importance as it brings better understanding of the price assessment and the drivers underpinning price, particularly given the complexity and non-standardized nature of physical commodity markets.

Credibility is fostered when the marketplace has confidence that the price assessor has a strong and transparent methodology and set of governance processes. Platts believes this can be achieved without regulation. This is particularly important because, in order to best serve markets, benchmark publishers should retain control over the methodology and criteria they use to determine their benchmarks. The ability to develop and evolve sound methodologies to serve the market's need for price information that is truly representative of market value depends on expertise, experience and, most importantly, impartiality.

21. Do you agree with the factors identified for drawing regulatory distinctions? What other factors should be considered in determining the appropriate degree of oversight of Benchmark activities (discussed in Chapter 3)? Please provide specific recommendations as to how the distinctions discussed in Chapter 3 should inform oversight mechanisms.

Please see response to question 22 below.

22. What distinctions, if any, should be made with regard to Benchmarks created by third parties and those created by regulated exchanges?

Platts considers the actual and perceived independence of a benchmark administrator particularly important in determining the appropriate level of oversight required to help ensure credibility and market confidence.

Platts is an independent publisher. It has no control over nor financial interest in movements in the price of commodities on which it reports, whether in the physical or derivatives markets, as those are determined by fundamentals of supply and demand. The editorial team within Platts operates independently from other departments. No other department (e.g., sales) is permitted to have any role in choosing, generating or directly influencing a methodology process and the editorial content intended for publication. The independence of our editorial assessments is key to our credibility and it is consequently regarded by Platts as a core principle for our business.

The level of oversight imposed on submitters to the different benchmark categories demands particular consideration. Platts believes it is likely that raising the regulatory burden on commodity data reporting activity would cause a retreat from participation in price discovery processes in general. This would in turn reduce the amount and quality of information supporting benchmarks, which would be incompatible with regulatory goals and ultimately detrimental to the effective functioning of the physical commodity markets.

Platts' price assessment activities are based on voluntary participation in the price discovery process. Platts offers no inducements, monetary or otherwise, to provide data to Platts and believes that the decision to participate in Platts' price discovery should be the decision of the participant. Platts believes in general that the more data available the better. However, Platts believes that the quality and transparency of the data factored into price assessments are of key importance.

Platts mitigates the risks in using voluntarily reported data in making price assessments by monitoring and assessing both the validity and integrity of the information provided in relation to underlying trades. Cross checking data inputs is integral to Platts' assessment processes.

Platts considers that a self-regulated Code of Conduct, in line with the provisions of principles such as those defined by IOSCO, supported with an annual external audit, is the appropriate degree of oversight for commodity benchmarks.

23. Assuming that some form of enhanced regulatory oversight will be applied to an asset class Benchmark, should such enhanced oversight be applied to the Submitters of data as well as the Administrator?

For commodity price assessments that are adopted by the market as a benchmark, Platts considers that imposition of government oversight and other regulatory action on related data supplied by submitters runs the risk of unintended and harmful consequences. By raising the regulatory burden on data reporting activity, such action would likely cause a retreat from participation in price discovery processes in general. This would in turn reduce the amount and quality of information supporting benchmarks, which would be incompatible with regulatory goals and ultimately detrimental to the effective functioning of the physical commodity markets. Any intervention in price formation that leads to prices that are not reflective of market value can adversely impact the functioning of global commodity markets. Indeed, regulation of submitters could encourage a market participant to opt out from the price discovery process, thus reducing the scope of market participation in price formation.

Assuming regulation of submissions, which for the reasons stated above Platts believes would be detrimental, a regulator would likely need to provide assurances to market participants via a "safe harbor" policy that provision of incorrect information as a result of clerical error to a publisher or the regulator itself would not be punished by an enforcement action.

Data quality is crucial to maintaining the integrity of Platts' various assessment processes. Platts' overriding interest is to ensure the validity of the transaction information and other data inputs that Platts' editors use as the basis for their price assessments. Data gathering and submissions are managed in a number of ways.

Any action leading to diminishing data quality around which the price discovery process has been developed could reduce the quality of a benchmark.

It should be noted that methodologies can differ considerably depending on the state of evolution of a given commodity market, as well as the liquidity of information available to price formation. Likewise, the ability to adapt methodologies which best measure the market the assessment is designed to reflect could be diminished if the rules for submissions were prescribed.

Any effort to set rules for data submitters should recognize the potential unintended consequence of quelling participation, data quality and, ultimately, transparency as markets evolve.

24. What are the considerations that should be taken into account if the Submitters to a Benchmark operate in an otherwise unregulated market (e.g., physical oil, gold or agricultural commodity markets) and are not otherwise under any obligation to submit data to an Administrator?

For commodity price assessments that are adopted by the market as a benchmark, Platts believes that imposition of government oversight and other regulatory action on related data supplied by submitters runs the risk of unintended consequences. By raising the regulatory burden on data reporting activity, such action would likely cause a retreat from participation in price discovery processes in general. This would in turn reduce the amount and quality of information supporting benchmarks, which would be incompatible with regulatory goals and ultimately detrimental to the effective functioning of the physical commodity markets. Any intervention in price formation that leads to prices that are not reflective of market value can adversely impact the functioning of global commodity markets.

Platts believes, consideration needs to be given to data quality, data gathering and submissions, the kind of information gathered, a safe harbor provision, and the ability to adapt to changing market conditions.

Depending on how regulatory action on submitters was defined it could encourage a market participant to opt out from the price discovery process, thus reducing the scope of market participation in price formation. If participating under a mandatory regime, a typical market participant would be reluctant to provide full information to a publisher without a confidentiality agreement in place, resulting in a loss of transparency under some existing methodologies where transparency of data is highly developed. This is particularly true for the Platts methodologies in global oil and petrochemicals markets, where all data (including names of companies, the particulars of bids, offers and transactions and much other logistical information essential to assessing the value of the commodity) is published in real time to the entire marketplace. A regulator would likely need to provide assurances to market participants via a “safe harbor” policy that provision of incorrect information as a result of clerical error to a publisher or the regulator would not result in enforcement action.

Attempts to identify the kind of information that should be provided may fall short of quality standards to be useful in meeting the standards of a price reporting methodology.

Likewise, the ability to adapt methodology and price data needs in response to quickly changing market conditions could be hindered under a rules-based mandatory price reporting regime.

Data quality is crucial to maintaining the integrity of Platts’ various assessment processes. Platts’ overriding interest is to ensure the validity of the transaction information and other data inputs that Platts’ editors use as the basis for their price assessments. Data gathering and submissions are managed a number of ways depending on the nature of the market being covered, and include conversations with market participants, submission of completed transactions from back or mid offices of trading entities, or direct participation by market participants via real-time posting to the marketplace at large of bids, offers and transactions.

Any action leading to diminished data around which the price discovery process has been developed would reduce the quality of supporting information and would lead to a detrimental effect on physical commodity markets.

It should be noted that methodologies can differ considerably depending on the state of evolution of a given commodity market, as well as the liquidity of information available to price formation. Any effort to set rules for data submitters should recognize the potential unintended consequence of quelling participation, data quality and, ultimately, transparency as markets evolve. Please also see the responses to question 23 above.

25. *Do you believe that a code of conduct, either on its own or in conjunction with other measures outlined within the report, would provide sufficient oversight to mitigate the risks that have been identified in Chapter 2? What measures should be established in conjunction with a code of conduct? For which Benchmarks is this approach suitable?*

Platts strongly believes that transparent systems for assessing market prices and robust governance and controls are key ingredients toward building confidence in the marketplace. It also believes that market confidence can in this case best be engendered under a self- regulatory regime. Platts believes it should observe high standards of corporate governance and controls and notes that its price assessment methods and practices, developed over many decades, are fully open to public view and are monitored by a Quality and Risk Management team, including a compliance function that is independent of editorial staff.

Platts takes very seriously its efforts to maintain the integrity of its pricing methods and to publish price assessments that fully reflect market value. To this end, Platts believes the IPRO Code referenced previously represents a sound framework for balancing the needs for appropriate governance, controls and processes among price reporting agencies, while maintaining sufficient editorial independence.

26. *What other measures outlined in the report, if any, should apply in addition to a code of conduct? If you believe a code of conduct, either on its own or in conjunction with other measures outlined within the report, would provide sufficient oversight to mitigate the risks that have been identified in Chapter 2, what type of code of conduct should apply (e.g., a voluntary code of conduct, an industry code of conduct submitted to and approved by the relevant Regulatory Authority, a code of conduct developed by IOSCO, etc.)?*

The ability to develop and evolve sound methodologies to serve the commodity markets' need for price information that is truly representative of market value depends on expertise, experience and, most importantly, independence. Platts considers a principles-based voluntary code of conduct, such as the IPRO Code, to be the most appropriate mechanism to mitigate the risks identified in Chapter 2 of the Consultation.

27. *Do you believe that the creation of a Self-Regulatory Organisation (e.g., one that exercises delegated governmental powers) and itself subject to governmental oversight, whether or not in conjunction with industry codes is a viable alternative for sufficient oversight and enforcement to mitigate the risks that have been identified in Chapter 2? For which Benchmarks is this approach suitable? What if any complementary arrangements might be necessary, such as new statutory obligations or offences for Administrators and/or Submitters?*

As described above in the response to question 26, Platts considers a self-regulatory, principles-based voluntary code of conduct such as the IPRO Code to be the most appropriate mechanism to mitigate the risks identified in Chapter 2 of the Consultation.

With regard to submissions, as addressed in the response to question 24, Platts believes that imposition of government oversight and other regulatory action on related data supplied by submitters runs the risk of unintended consequences. By raising the regulatory burden on data reporting activity, such action would likely cause a retreat from participation in price discovery processes in general. This would in turn reduce the amount and quality of information supporting benchmarks, which would be incompatible with regulatory goals and ultimately detrimental to the effective functioning of the physical commodity markets. Any intervention in price formation that leads to prices that are not reflective of market value can adversely impact the functioning of global commodity markets.

28. *Do you believe that, for some Benchmarks, reliance upon the power of securities and derivatives regulators to evaluate products that reference a Benchmark or exercise their market abuse or false reporting powers creates sufficient incentives for the Administrator to ensure sure that Submitters comply with a code of conduct?*

Platts believes a code of conduct for submitters is unnecessary. As an independent benchmark provider whose reputation depends on the quality of the assessments it produces, and which does not have a vested interest in the outcome any of its assessments, Platts already has incentives to produce assessments that reflect true market value so that they will be adopted as benchmarks. Thus, it will utilize information from Submitters, but will validate for itself that this data is relevant and meets its reporting standards. Platts believes that an Administrator cannot rely on any external mechanism – whether regulatory or a Submitter's Code of Conduct – to replace its own due diligence to the quality of data that comprise inputs to its price assessments.

29. *Do you believe that users of a Benchmark, specifically, the users who are regulated or under the supervision of a national competent authority should have a role in enhancing the quality of Benchmarks? Which form should this role take: on a voluntary basis (e.g. the user being issued a statement that will only use Benchmarks that follow IOSCO principles), or on a compulsory basis (e.g., the competent authority could request that users who are registered under their jurisdiction should only use Benchmarks that fulfil IOSCO principles)?*

Market participants, particularly those bearing risk associated with the use of a particular benchmark in a particular market, are typically well positioned to decide which benchmark best suits their needs. The voluntary nature of choosing which benchmarks to use, and which not to use, is an important facet of any efficient, open market economy.

Users of benchmarks have an important role to play in maintaining and enhancing the quality of those benchmarks. If a benchmark user contributes data to the benchmarking process, that entity has a particular responsibility to meet the standards for data submission that have been established for that benchmark.

Beyond that, every benchmark user and interested party has a role to play by taking part in the review and feedback process. Platts encourages all interested parties to take part in the methodology development process by participating in public workshops and technical forums where methodology is discussed, and through submission of comments to specific proposals for evolving benchmarks.

At any time, Platts also welcomes questions and observations about its methodologies and benchmarks. The interactive process of reviewing and resolving all such inquiries is a vital element of the ongoing review of appropriateness of methodology for market conditions.

Chapter 4

Data sufficiency

30. *Do you agree that a Benchmark should be anchored by observable transactions entered into at arm's length between buyers and sellers in order for it to function as a credible indicator of prices, rates or index values? How should Benchmarks that are otherwise anchored by bona-fide transactions deal with periods of illiquidity due to market stress or long-term disruption?*

Platts views the *quality* of data inputs as key to the integrity of price assessments. Not all reliable methodologies require the reporting of all transactions. A high volume of transactional data does not necessarily lead to a price assessment that is useful to market participants. This is particularly true of methodologies that focus on assessing a closing value at the end of the market day. Not all methodologies are transaction-based. Many markets make use of bids and offers as well and, in instances of low liquidity, a significant degree of qualitative professional judgment is applied to formulate an assessment that represents true market value.

There has been a great deal of attention focused on submissions of unreliable data into index formation, especially following the LIBOR scandal. This has been closely linked with the desire to have price reporting organizations rely solely or primarily on transaction data when conducting price assessments. Although the use of discretion and reliance on transaction data are sometimes linked in these discussions, Platts considers it useful to separate the concepts.

First, focusing on the use of transaction data, Platts accepts that price reporting organizations should utilize the most appropriate information available when conducting price assessments. That means that a price reporting organization should not disregard demonstrably sound transaction data. Indeed, as a general rule, transaction data is often the most useful indication of market prices. Platts bases its Market-On-Close (MOC) processes in the oil markets as well as assessments in other commodity markets around this proposition.

This does not mean that price reporting organizations should be prohibited from using their own judgment or other sources of market information when conducting price assessments. There are many circumstances where transaction data may not be the best indicator of value, at least at the time of an assessment. Trade data can become stale or, for thinly traded products, unavailable. In these cases, other types of market information can provide a clear and transparent indication of market value. Platts does not believe it is appropriate to place restrictions on using data other than transaction data in conducting assessments. While Platts' status as an independent price reporting organization makes it more likely that market participants will provide it with data including transaction data, which they do so on a completely voluntary basis, Platts seeks data from a variety of sources in order to allow it to have the most robust information available.

Platts distinguishes the use of judgment from the use of transaction data. Platts agrees that, to the extent practicable, a price reporting organization's assessment methodologies should be clear as to the mechanics underlying the assessment processes. Generally two people reviewing the same inputs and applying the same methodology should derive the same assessment results. However, price reporting organizations use their editorial discretion in various ways. First, they must establish sound methodologies and develop product definitions that are consistent with market practices and allow for price assessments that represent true market value. Second, price reporting organizations must decide, on a day-to-day basis, whether the data they have received from contributors meets appropriate quality standards and is suitable in the price assessment process. Finally, before issuing any price assessment, the price publisher must be satisfied that it reflects market price.

It is worth noting that as many of the markets that Platts observes are at different stages in their evolution, so too are the methodologies that are used to assess the value of the commodities in those markets. Platts employs a full range of techniques, from traditional survey methods, where transactions are discovered via contact with market participants and then verified with counterparties, through to assessment systems where bids, offers and transactions are observed in real time and with full transparency. While methodologies may differ, all of these approaches have the common goal of having data inputs of high quality, and assessment processes governed by clear and public methodological statements.

All of Platts' price assessment activities are based on voluntary participation in the price discovery process. Platts offers no inducements — monetary or otherwise — to provide data to Platts and believes the decision by a market participant to participate in Platts' price discovery should be at its own volition. While Platts believes in general that more data is better than less data, it also believes that the quality and transparency of the data — bids, offers and transactions — that are factored into its price assessments are of key importance. Platts has designed its methodologies such that even in the absence of substantial transactional data, it is highly confident of publishing price assessments that are fully reflective of market value.

31. *Are there specific Benchmarks for which you consider that observable transactional data is not an appropriate criterion or the sole criterion? If so, please provide a description of such Benchmarks and what value you think such Benchmarks provide?*

Platts believes that all principal forms of market data should be considered for inclusion in the creation of a benchmark. The emphasis given to each type of market data will vary by benchmark design, and by market need.

Rarely should transactional data alone be a sole criterion for the formation of a benchmark. Even methodologies that rely upon transactional data as the core component in the formation of value are strengthened by the incorporation of other market data, including reported bids and offers, and other market information. Such inputs allow for a better analysis of transactional data, and a greater likelihood of detecting possible anomalies that can be studied further before a benchmark is finalized.

32. *What do you consider the limitations or value in Benchmarks referencing asset classes and underlying interests where there is limited liquidity? Please describe the uses and value of such Benchmarks in the financial markets.*

Liquidity in commodity markets is not a constant, and will rise and fall depending on many factors. The most robust price assessment techniques are data driven and are underpinned by facts rather than estimates or opinions about hypothetical market information. Robust assessment systems are also built to perform well at times when little or no firm market data is available. Platts sees great value in reference prices that are able to reflect market value equally well during times of high or low liquidity.

Physical commodity markets have little in common with exchange-traded markets, where volumes are often high, liquidity can be deep, bid/offer spreads are tight, participation is broad, products are fungible, trades are centrally cleared, and identifying market value is relatively straight-forward. In many physical commodity markets, products subject to price assessments have diverse attributes, are non-standardized and require detailed specifications. The quality and representative nature of data inputs is of particular importance in determining a price assessment that is representative of true market value, not the quantity. In some instances, Platts has a ready source of transactional data, including bids, offers and concluded deals. Often, price reporting organizations including Platts must rely on observations of other types of information in order to derive assessments.

Considering the varying liquidity of transactional data in the physical commodity markets, it is important that a price assessor has access to the totality of available information and is able to employ that data in full alignment with a stated publically stated methodology. Platts uses transparent, factual and verifiable data in its assessments, and bids and offers often count as importantly as concluded transactions in Platts' oil assessments, for example. The commentaries that accompany Platts' assessments typically provide narrative detail as to how data — bids, offers, concluded transactions and other market information — are considered in determining an end-of-day assessment.

33. *Do you agree that the greatest weight should be given to transactions in the construction of a Benchmark and that non-transactional information should be used as an adjunct (e.g., as a supplement) to transactions?*

Platts believes that transaction data forms an important part of the entire set of data that is useful in the analytical process required to produce market benchmarks. As noted in the response to question 32, it is key that the approach to establishing a price assessment should work equally well during periods of ample or minimal liquidity. The value of transaction data observed in isolation from bids, offers and other market data is generally limited.

34. *What factors and how often should Administrators (or others) consider in determining whether the market for a current Benchmark's underlying interest is no longer sufficiently robust? What effective methods of review could aid in determining the insufficiency of trading activity within the market for a Benchmark's underlying interest?*

Platts engages in regular review of the liquidity of markets that underpin benchmarks to help ensure that its benchmarks are able to reflect market conditions. Since markets are constantly evolving, Platts focuses in such reviews on the suitability of specifications that are defined for its benchmarks compared to changes in the world in general, to ensure that specifications reflected in Platts benchmarks reflect specifications that might change because of changing environmental standards, for example. Platts also studies the total potential deliverability of the physical markets reflected by each of its benchmarks, to ensure that the base is large and diverse enough for value to be demonstrated by typical, competitive market forces.

Platts has established procedures, including an appropriate period for public notice and feedback, for discontinuing any price assessments in cases where underlying markets change to the point where the assessment no longer provides value to the market.

Transition

35. *What precautions by Benchmark Administrators, Submitters, and users can aid Benchmark resiliency during periods of market stress, mitigating the potential need for market transition?*

Markets often face periods of stress, which can be defined as times of high volatility, or steady directional decreases or increases. Benchmark systems need to be ready to reflect the conditions as they are. If all the submitters or administrators are providing or generating market reflective data, the benchmark can be presumed to be working as it would be reflecting reality even if systems are subject to stress. Caution should be exercised if data dries up, or if the administrator knows that data has dried up and the submitters are providing data that is notional in nature or disconnected from observable value. In such cases, it is key that the administrator is experienced and has the ability to establish relational values from more transparent markets to less liquid markets. The administrator also needs to have a system that can readily employ expert and impartial judgment in periods when data may be non-existent.

36. *What elements of a Benchmark "living will," drafted by a Benchmark Administrator, should be prioritised?*

Platts firmly supports the view that a benchmark is more effective when designed in a way that reflects the value of the commodity it represents, coupled with the view that market participants bearing risk associated with the market in question are typically well positioned to decide which benchmark design meets that need in each market.

If a benchmark seeks to reflect the value of a commodity, or any other asset class in the physical world, the benchmark should be adaptable if it is to endure through time. This is because any asset class is itself likely to change through time. Such changes may be gradual and or cumulative in nature; or just as readily sharp, substantial and uneven. In our view a successful benchmark should have a "living will" in place that contemplates the expected evolution of the underlying asset class. It could contain provisions to manage changes in a particular market.

Benchmark design addresses three key components: (1) the specifications reflected by the value published; (2) the process and standards employed to collect data used to assemble the benchmark value and (3) the methodology applied to this data in order to generate a final benchmark value.

In Platts' experience, the first of these elements is the element of benchmark design that should most often be prioritized by a benchmark provider when drafting a living will for a benchmark. Both predictable and unpredictable changes in underlying instruments most frequently impact the specifications of the market.
In more detail, the following specifications are changeable and can helpfully be addressed in contemplating a living will: quality; timing; location; size; and terms and conditions. Of these five core specifications of a physical asset, "quality" and "timing" change more usually than any other attribute.

Platts frequently evaluates forward-looking change plans for key benchmarks in the commodity space with a wide array of stakeholders and interested parties. As an example of "quality" change, Platts published a series of statements through 2010, 2011 and 2012 describing anticipated changes to the sulfur specification reflected in its Singapore Gasoil benchmark. These anticipated changes reflected tightening environmental standards for the fuel, and falling sulfur limits. Through this change process, Platts opened formal consultation periods on proposals to change the sulfur content reflected in the benchmark. As a result of feedback to this consultation process, Platts reduced the sulfur reflected in the benchmark according to a published timetable of change.

Another example of benchmark change, Platts' move to 25-days Dated Brent in 2011-2012, highlights the way that "timing" can change in an underlying market. Platts and market participants had noted that trading in North Sea crude oil was trading further forward in time – buyers and sellers were commonly agreeing trades of crude oil for specific loading dates further forward in the future than in the decade gone by. This reflected in part a desire to secure oil in advance, and the fact that crude oil markets have in general been trading further forward in time as refineries optimize their intake of crudes from among a wide variety of competing world supply locations.

In 2011, Platts began a formal consultation process on a proposal to extend the delivery period reflected in its Dated Brent assessment. Platts proposed to change the dates reflected in its assessment from 10 to 21 days forward from the date of assessment. The new dates to be reflected were 10 to 25 days forward from the date of assessment. The addition of those four extra days reflected the tendency to trade crude further forward in time. It also helpfully expanded the number of delivery days reflected in the benchmark, and therefore the amount of oil available for trade.

As part of that process, Platts was requested by many stakeholders to describe how further changes might be made to the time reflected in Dated Brent. We have since stated that a move to 30 days forward is likely in 2015; we have also described a series of other changes that might occur in the future, opening the way to regular discussion and feedback on future updates.

Beyond possible changes to specifications, data collection methods and calculation methodology, we also note that from time to time the name of a benchmark itself might need to be adjusted or updated to reflect change in the world. Benchmark name change is a very significant event, and we note that markets often prefer to maintain a benchmark's "brand name" even with an understanding that the definition of the underlying market, and the specifications of the benchmark in question, might have changed significantly.

In summary, a benchmark provider must be alert to changing market conditions that could affect the relevance of a benchmark over time, and also be looking well into the future to anticipate significant potential changes that could have an impact on the value of a benchmark to the user community. At the same time, a benchmark provider should have a well-defined process for determining when a benchmark is reaching the end of its useful life. Of key importance in this process is to ensure that sufficient time is allocated to adjust, migrate away from, or terminate an existing benchmark in order to avoid market disruptive consequences.

37. By what process, and in consultation with what bodies, should alternatives be determined for Benchmark replacement?

Commodity benchmarks are relevant to many market processes from a producer to a trader to a refinery to a distribution network to a retail user or even airlines or power plants. Government interventions affecting the free determination of a market price and disrupting the contractual obligations between sellers and buyers would create a serious market disruption by which one side at each contractual step of the supply chain could gain and another lose. Buyers and sellers in the free market continuously review their contracts and have an option to reset or change the use of a publisher's benchmark on a bilateral basis but not usually in response to an outside intervention. In our view that interaction between market participants should be the determining factor in whether an alternative, and if so which alternative, is chosen.

There have been historically many attempts to influence markets or generate prices, indices or set price caps by government bodies, and there is ample evidence in such instances of misallocation and economic damage. There are also examples of subsidies being established when prices are regulated or controlled.

38. What characteristics should be considered when determining an appropriate alternate Benchmark? (Examples below) Should any of these factors be prioritised?

o *Level and Type of Market Activity*
o *Diversity/Number of Benchmark Submitters*
o *Length of historical price series for the Benchmark alternative*
o *Benchmark Methodology*
o *Existing regulatory oversight*
o *Existing enforcement authority*
o *Volume, tenors and contract structure of the legacy trades*

If a benchmark no longer provides value to the market for whatever reason and needs to be replaced, the same characteristics of benchmark design for any benchmark would apply to the alternative. Please see the response to question 2.

39. What conditions are necessary to ensure a smooth transition between market Benchmarks?

One of the key concepts underpinning the question is the implied belief that a benchmark is decreed or appointed by the benchmark administrator. This is not the case. A number, an expression of value or an assessment can be created or generated, but the market in the aggregate decides if such number becomes a benchmark. The market typically offers alternatives and then the market also decides which it considers relevant. In commodities, publishers or other suppliers of market assessments engage with the marketplace and construct "offerings" which the market then finds useful or not. If a benchmark is losing its relevance due to a physical market change or an outside event that causes its demise, then the alternative should fulfill similar market needs as the original benchmark, minus shortcomings that caused its demise. As discussed in the response to question 36, Platts helped the market transition from a high-sulfur gasoil benchmark in Singapore to a mid-sulfur assessment by offering a new assessment that meets the needs of the marketplace and by providing a lengthy, transparent transition process. At the core, one quality of gasoil lost relevance due to global moves to lower-sulfur gasoil and Platts needed to cease publication of its high-sulfur assessment. At the same time, Platts needed to offer a carefully constructed alternative that was relevant in terms of its quality and other parameters important to the marketplace. The market found the alternative proved suitable and the transition was seamless. In short, Platts made an offering and the market found the offering relevant to its needs.

40. What considerations should be made for legacy contracts which reference a Benchmark in transition? To what extent does a substantive legacy book preclude transition away from a Benchmark? What provisions can be included in [new and existing] contract specifications which would mitigate concerns if and when a Benchmark transitions occurs?

Platts believes that in its role as a steward of many benchmarks, it adds value to the marketplace by reviewing the strength and relevance of its assessments on a constant basis. If it finds that its assessments need updating because they no longer reflect market trading practices, it will begin discussions with market participants to understand the factors that will be required to conduct an orderly transition to a new reference benchmark.

The question of orderly transition for legacy contracts contains three subsets. (1) It is critical to prevent market disruption. Therefore it is important to find an alternative that provides a mechanism to price out any and all legacy contracts. Any mechanism has to be accepted, rather than imposed, as any error in the transition will result in material funds transferred from one party to another. This means that the mechanism should be seen as fair by longs and shorts. (2) A substantive legacy book prevents a transition for all the existing contracts if the new mechanism offers a different value than the prior benchmark. Slight differences can have a substantial and material impact, hence the momentum remains with the "old" benchmark. However, if a new offering answers or provides more of what the market needs, new contracts can settle against the "new" benchmark. Eventually a transition can be made with a market establishing the differences between the two systems. (3) Many contracts contain provisions for transitions, but the new instrument then needs to be found fair and acceptable to both parties. This is not always an easy process. Platts has determined that being impartial, independent and neutral in regard to consumers, producers, traders and others is a key requirement as a party or constituency will prefer a system or benchmark that benefits its own position. Ultimately the neutral party can offer an alternative and then the market in the aggregate will decide.

41. How should a timeframe be determined for market movement between a Benchmark and its replacement? What considerations should be made for:

- o *Altered regulatory oversight?*
- o *Infrastructure development/modification?*
- o *Revisions to currently established contracts referencing the previous Benchmark?*
- o *Revisions to the Benchmark Administrator?*
- o *Risk to contract frustration?*

In a best-case scenario, a transition should provide over six months, if not a year, to enable all agreements to be rewritten and all the front and back office systems of benchmark users to move to the new instrument. But in a real market environment, there may be changes in the infrastructure that would not allow for ample advance notice as the "old" benchmark might no longer exist. In that case, the administrator needs to exercise judgment to provide continuity in the old benchmark while the new instrument is launched, but some adequate period of time will still be needed to avoid market disruption.