



# **ICIS Methodology Consultation Policy**

# Methodology Consultation

## ICIS Methodology Consultation Process

### 1. Process Overview

Where possible ICIS will publish on its website advanced notice of a consultation on its methodologies.

All new methodologies will be given an expiry date. This date will be set at the time of the creation of the methodology and will act as a backstop date by which ICIS will conduct its next review of the methodology. This will ensure ICIS will consult on its methodologies regularly and give market participants an indication of when the methodology will be reviewed next.

When conducting a general review of its methodologies, ICIS will ask broad general questions to ascertain how well the methodology is performing in fulfilling its overall purpose, which is to provide a reliable measure of physical market value.

### 2. Specific Changes

ICIS may consult on specific changes to the methodologies from time to time. Where possible ICIS will provide customers with advance notice of these consultations via its website and publications.

These changes may be to address an issue identified by ICIS in market structure, market behaviour, an existing methodology or in reaction to feedback from customers or market participants on any of these.

ICIS is committed to conducting a fair and open consultation process. It will therefore only decide on a particular methodology change after the consultation process has concluded. Market participants should not assume that because a change is proposed in a consultation that ICIS is minded to make the change.

We would therefore encourage all market participants to engage in the consultation process.

### **3. Consultation Timescales**

In each consultation document ICIS will set out its timetable for the consultation. Timescales on consultations may vary from market to market and location to location. In line with international best practice, the general consultation period will last no fewer than 28 days. This should ensure all counterparties have sufficient time to respond. If parties face time pressures then ICIS should, where possible, make reasonable efforts to accommodate late or incomplete responses.

After the consultation window closes ICIS will promptly publish all non-confidential consultation responses it has received and will begin to review all responses. As part of this process it will create a summary of responses and views provided during the consultation process. Points made in those responses marked confidential may be referenced in the summary, but not attributed to companies or individuals.

As previously stated, ICIS will always seek to fulfil its objective of creating methodologies which result in price assessments which represent market value. ICIS will consider market responses with this primary objective in mind.

Once ICIS has made a decision about whether to change a methodology it will publish its decision along with its summary of market responses.

In certain situations, changing the methodology may result in a material change to the systems or processes of ICIS and/or market participants. ICIS will always seek to provide the necessary advance notice of such changes to minimise the impact on customers' systems. ICIS will therefore provide, either with the decision or shortly thereafter, notices to such effect, which detail the planned date for the change and the nature of the change. Where the change was not referenced in the original consultation then ICIS should provide further opportunity for customers to provide feedback.

As soon as is practicable following the publication of the decision, ICIS will publish the new version of the methodology. Where this is not implemented immediately, ICIS will provide details of the date from which the change will apply. The new methodology will also contain an expiry date. This is the date by which ICIS will provide a new general consultation. This will ensure the methodology will be reviewed regularly and give the market greater certainty about when consultations are likely to occur.

The Managing Editors should be informed prior to publication of the new methodology as they are responsible for ensuring that the methodology is implemented on the correct date (please note that methodologies may be post-dated). This does not remove or reduce the obligation on the reporter/editor to ensure they are using the correct methodology.

## **4. Detailed Description of the Process**

### **4.1 Internal Review Process**

ICIS expects its reporters, editors, managing editors to constantly challenge and review their methodologies on an ongoing basis. This will include considering feedback on the report and methodologies that comes from customers, the sales and marketing functions, other ICIS business units and reporter/editor insights.

Market reporters/editors will also constantly gather intelligence on market development and this may also indicate a need to develop or change the existing methodology.

Where a change is recognised as needed this should be flagged to either the Head of Market Reporting or the Editorial Quality Committee (EQC) Group. The Head of Market Reporting, the respective Head of Power and Head of Gas are responsible for coordinating and managing the methodology process.

Their primary considerations will be as follows:

**Is the change urgent?** On occasion it may be necessary to make a change to a methodology quickly to ensure the reported market prices continue to meet ICIS' standards.

**Is the change material?** Some changes to methodologies may be small and of little materiality. For example ICIS may adjust the permitted volume size of physical cargos for a particular commodity to reflect new freight capability.

Materiality is somewhat subjective and factors can vary from market to market, in different market conditions and at different stages of a markets development. ICIS therefore requires the Head of Market Reporting to use professional judgement to determine materiality on a case by case basis, taking into account the impact of the change on the decision making of their customers.

Where a potential change is non-urgent and material then ICIS would externally consult with market participants. If the commodity had not had a general consultation recently then ICIS would usually take the opportunity to conduct a general consultation and would ask both the specific and general consultation questions.

### **4.2 External Consultation Process**

The external and ongoing methodology process will be managed by the Head of Market Reporting, Head of Power and Head of Gas. They will ensure that from Q2 2013 that ICIS will regularly review its methodologies via an external consultation process.

To ensure that methodologies are regularly reviewed each new methodology will have an expiry date added at the time of creation. This will provide a guarantee that ICIS will re-consult on the methodology by that date.

From the end of Q3 the Head of Market Reporting Head of Power, and Head of Gas will publish on the ICIS.com website a schedule of upcoming consultations. This will assist customers to know which consultations are upcoming.

The Head of Market Reporting or the Head of Power and Head of Gas will then, in conjunction with the reporter/editor, collect and consider feedback on the methodology from customers, the sales and marketing functions, other ICIS business units and any other relevant market knowledge. Any issues identified would be addressed through specific questions. Such questions should be as open and objective as possible to avoid 'leading' responders to a particular conclusion. Any specific questions would then be added to the general consultation questions.

The standard and minimum length of time for a consultation will be 28 calendar days in line with standard international practice. Consideration may be given to a longer consultation period in markets that have different custom and practice.

The consultation will be published on ICIS.com and reasonable efforts will be made to encourage market participants to respond. Such measures may include providing notices in affected reports.

Following the closing of the consultation window, the Head of Market Reporting or Head of Power and Head of Gas, will then, in conjunction with the reporter/editor, review the responses. Non-confidential responses will be published on ICIS.com. ICIS will also publish a summary of all responses.

ICIS will publish its decision and where necessary any notices of changes to systems. Where a decision reflects a change not envisaged in the consultation document then ICIS will provide an opportunity for further feedback from customers on this specific change. Where a problem is identified then ICIS will consider full re-consultation or alternative solutions.

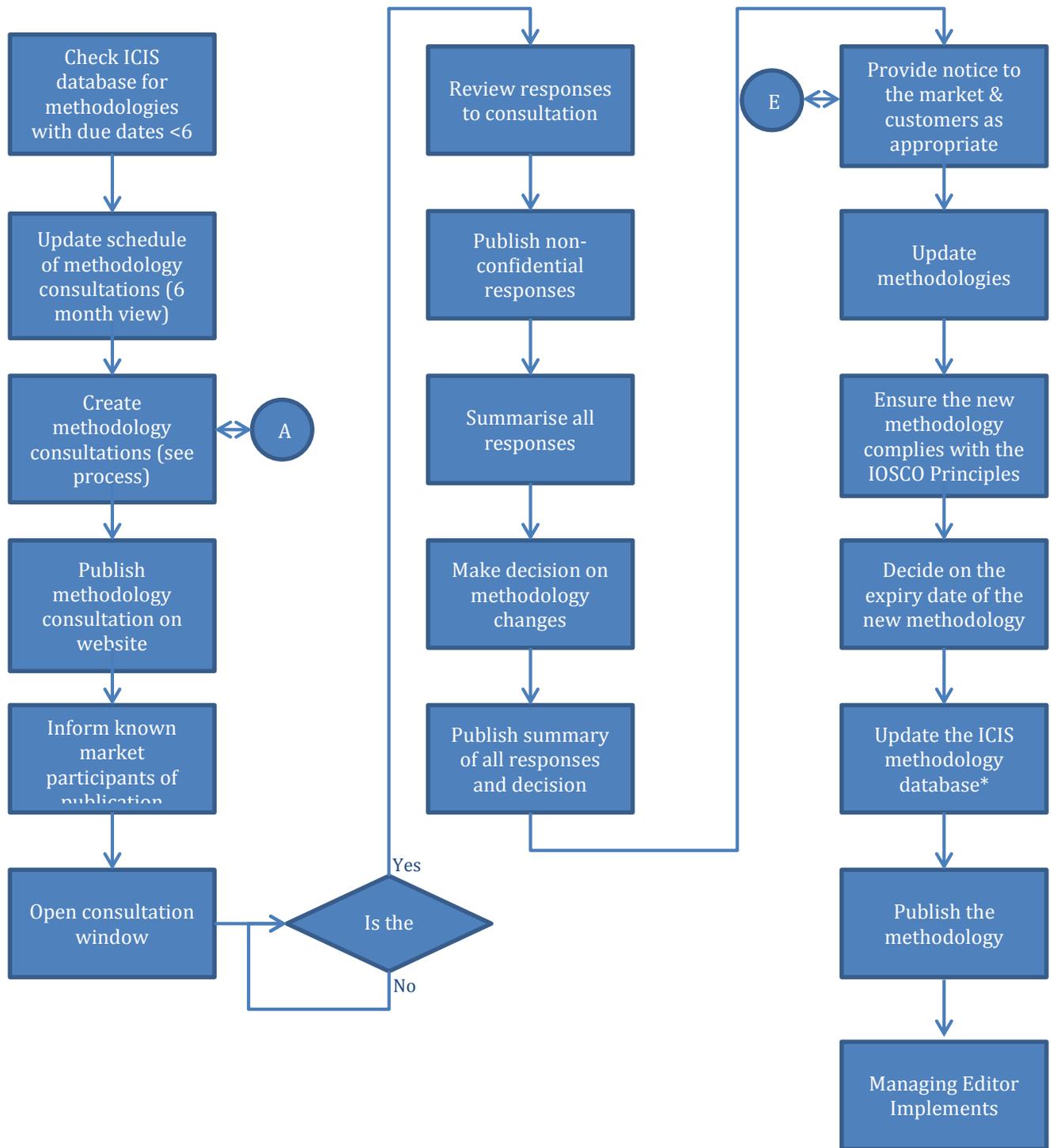
Once a change is final, ICIS will publish an updated methodology on ICIS.com. All methodologies which relate to benchmarks must be compliant with the IOSCO Oil PRA Principles and the Head of Market Reporting or the Head of Power and Head of Gas should ensure that such methodologies reflects the IOSCO Oil PRA Principles.

Approval of the new methodology is given by the Head of Market Reporting on behalf of ICIS when they send the methodology for upload to the ICIS.com website.

The updated methodology must have an expiry date clearly stated within the methodology document. In setting the expiry date, consideration should be given to the nature of the price being assessed, the volume of users, market volatility and other such factors relevant to the effective assessment of the particular price.

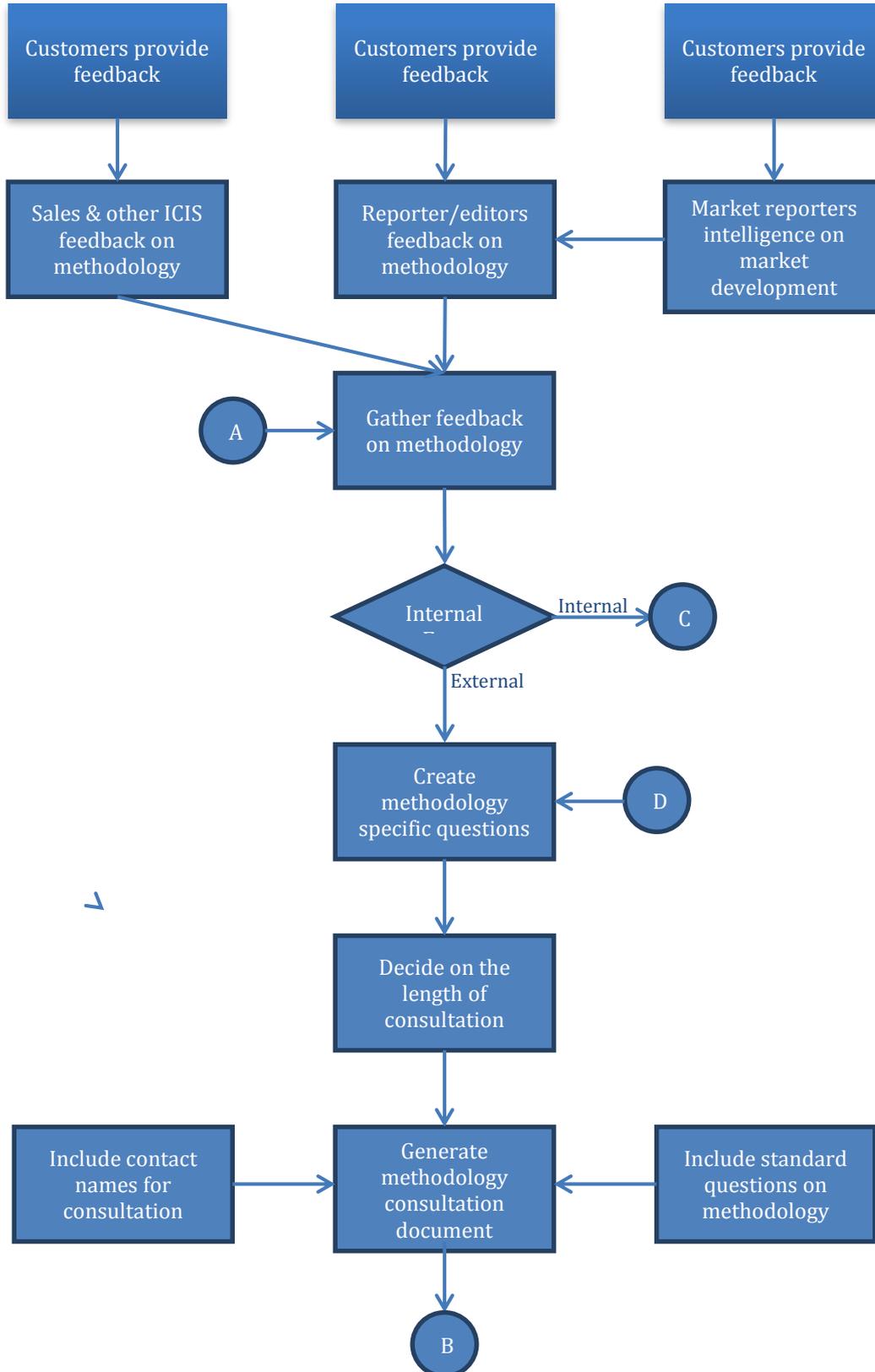
The Head of Market Reporting will contact the Managing Editor and inform them of the publication of the new methodology document. The Managing Editor will ensure that the new methodology is applied from the correct date. Please note that this requirement does not negate the reporter/editor responsibility to ensure that they understand and are using the correct methodology.

## ICIS General Methodology Consultation Process

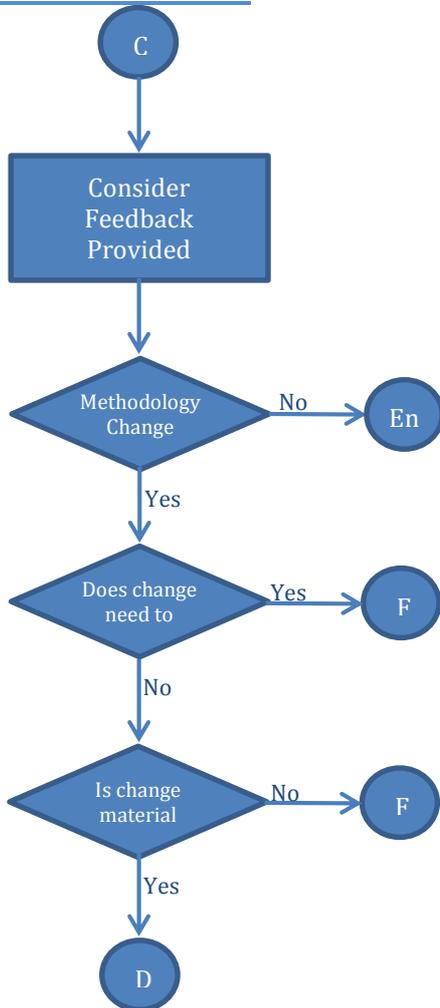


\*Expected to be available Q4 2014. Until this date this will be manually managed.

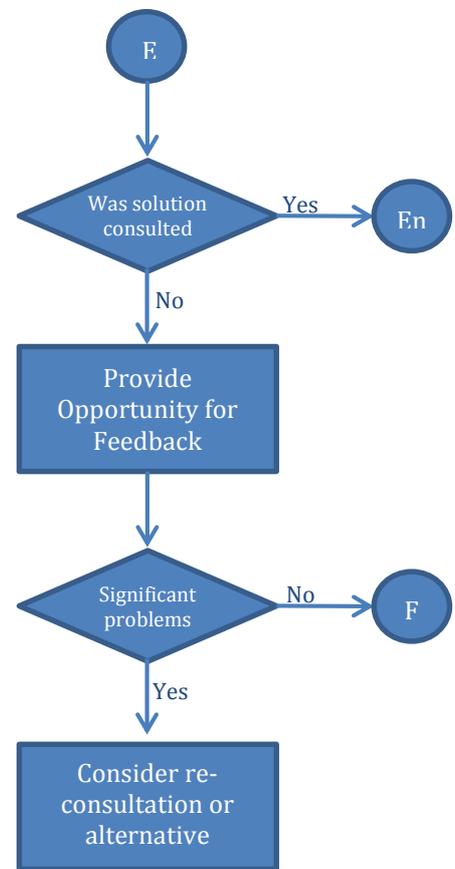
# ICIS Create Methodology Consultation Process



## ICIS Internal Methodology Review Sub-Process



## Check for Material Impact Sub-Process



## **5. Methodology Standards**

The standards below reflect ICIS' internal standards, the IPRO Code and the IOSCO principles as they relate to the creation or development of price methodologies.

### **5.1 Standards**

We will do all we can to ensure that our methodologies promote the integrity and transparency of the price reporting process.

We will publish the methodologies used to produce our price assessments on our website free of charge. The methodologies shall aim to achieve price assessments that are representative of market value.

We will provide our rationale for adopting a particular methodology, including any price adjustment techniques and a justification of why the time period or window within which market data is accepted is a reliable indicator of physical market values.

Where possible we will specify in detail the criteria that define the physical commodity that is the subject of a particular methodology.

At a minimum, a methodology published by ICIS should describe criteria and procedures that are used to develop an assessment, including:

- (i) how we use the specific volume, concluded and reported transactions, bids, offers and any other market information (collectively "market data") in our assessment and/or assessment time periods
- (ii) why a specific reference unit is used (e.g., barrels of oil)
- (iii) how we collect such market data
- (iv) the guidelines that control the exercise of judgment by market reporters and
- (v) any other information, such as assumptions, models and/or extrapolation from collected data that are considered in making an assessment.

A methodology published by ICIS will describe the relative importance that generally will be assigned to each criterion used in forming the price assessment (i.e., type of market data used, type of criterion used to guide judgment). This is not intended to restrict the specific application of the relevant methodology but is to ensure the quality and integrity of the price assessment.

We will state in our methodology whether a minimum amount of transaction data (i.e. completed transactions) is required for a price assessment to be published, and if so, what the threshold is. If no such threshold exists, the reason why a minimum threshold is not established will be explained, including

procedures where there is no transaction data. We will also outline criteria that address the assessment periods where the gathered data falls below any transaction data threshold or the requisite ICIS quality standards, including any alternative methods of assessment (e.g., theoretical estimation models).

We will state in our methodology our criteria and procedures that address assessment periods where one or more market participants provide market data that constitutes a significant proportion of the total data upon which the price assessment is based. We will define in our criteria and procedures what constitutes a “significant proportion” for each price assessment.

Where consistent with our methodologies and approach to ensuring quality and integrity of price assessments, we will utilise market data giving priority to: 1. Concluded and reported transactions; 2. Bids and offers; 3. Other market information. If concluded transactions are not given priority the reasons will be explained.

We will, where possible, adopt practices, reflected in our methodologies, designed to ensure that price assessment processes are consistently applied by ICIS price reporting staff.

We will operate non-discriminatory participation and data collection processes and where possible this will be reflected in our methodologies.

We have clear policies and processes for collecting, evaluating and utilising data for the purposes of our price assessments, including published criteria for timeliness of market data gathered by or submitted to us and the means for such gathering or submission (i.e. electronically, via telephone, etc.)

We will employ sufficient measures designed to ensure market data collected by or submitted to ICIS and considered in a price assessment is bona fide, meaning that the parties providing the market data have executed, or are prepared to execute, transactions generating such market data and the concluded or potential transactions are at arm’s-length from each other. Particular attention will be made in this regard to inter-affiliate transactions.

We will in our methodology, specify the criteria that define which entities may provide market data for use in our assessment process, and which representatives or functions of those entities may, in the view of ICIS, provide market data for that entity. We will have in place, quality-control measures to evaluate the identity of individuals providing data on behalf of such entities.

If we have rules governing which market participants may be admitted to the constituency of persons inputting trade or other data into our price assessment processes, then we will publish in the methodology such rules and the factors and criteria which we regard as being most relevant to such admittance.

We will encourage market participants that provide any market data to provide all of their market data that falls within ICIS' criteria for that assessment.

We will seek, so far as it is reasonable, that data provided is representative of the market participants' actual concluded transactions. Where appropriate we will encourage market participants to submit transaction data from back office functions and seek corroborating data from other sources when transaction data is received.

We will employ a system of appropriate measures so that, to the extent possible, market participants who provide market data comply with ICIS' quality and integrity standards for market data.

Criteria for inclusion or exclusion of transaction data in the process of determining a price assessment will be set out in our methodology.