

Methodology Review and Change Consultation Process June 2021

Open consultation and formal process

Fastmarkets' editorial teams carry out a formal review and approval of the methodologies on an annual basis.

To initiate this process, the editorial teams issue an open consultation at least one month before the annual methodology review is due, inviting feedback from users and subscribers over the duration of that consultation period.

If the editorial team identify changes required to existing methodologies, they classify them either as 'material' or 'immaterial':

- Material changes are those that, once implemented, may result in fundamental changes to the published price. These include specification changes or structural changes to indices.
- Immaterial changes are those that will not result in a different price level once they are implemented.

Fastmarkets writes a pricing notice setting out its timetable for the consultation and the method for submission.

Timescales on consultations may vary but, in line with international best practice, they will last no less than one month (or around 20 working days). This should give market participants sufficient time to analyse and comment on specific proposed changes and/or on whether Fastmarkets' methodologies continue to reflect the physical markets under assessment.

If a material change to the methodology is required, Fastmarkets includes in its pricing notice.

- The outline of the proposed change;
- The rationale or motivation for proposing such a change; and
- A proposed timetable for the date on which, if the change goes ahead, it would be implemented.

Further consultation and approval process

Following the open consultation, Fastmarkets' editorial teams review the feedback and comments received, including any suggested changes to existing methodologies. If no change is proposed, they publish a pricing notice to conclude the methodology review. This includes the link to the methodology document and the date of the next scheduled review.

If the proposed change is material and/or if insufficient feedback has been received, the consultation is extended. If not, the consultation period is extended and a new pricing notice is published inviting comments on the new proposal.

At the end of the new consultation period, the editorial teams again review any further feedback and decide on whether a change should be made. The decision is approved by the editorial director or global editors and announced via a pricing notice, concluding the methodology review and including the link to the new document and the date of the next scheduled review.

For prices subject to the EU Benchmark Regulation (BMR), any proposed change to the methodology requires approval by the Managing Director of Fastmarkets Benchmark Administration Oy (FBA). Any material change to the methodology requires approval by the Board of Directors of FBA. All methodologies subject to the BMR must be ratified by the Board of Directors of FBA on an annual basis.

A record of the methodology review is sent the Compliance team. Fastmarkets will publish a pricing notice announcing the outcome of the review, including the rationale for the decision and, whenever possible, feedback received unless stated as confidential. Fastmarkets reserves the right to paraphrase and group comments received into a comprehensive rationale explaining the decision.

When Fastmarkets proposes a change to the methodology, it should be understood that no decision has yet been made and that the proposal to make a change should not automatically be understood as confirmation that the change will happen.

Ad-hoc changes to methodologies

Outside of the formal methodology review process, editors may from time to time suggest changes or additions to reflect market developments.

As with the formal review, changes to the existing methodology will either be classed as 'material' or 'immaterial'. The process for implementing the change will be the same as outlined above for formal reviews.

The minimum duration of one month (or around 20 working days) for the consultation process normally provides market participants sufficient opportunity to analyse and comment on the impact of the proposed change.

Discontinuing a price

Fastmarkets also follows the above guidelines when proposing the discontinuation of an existing price.

There are two considerations to address when reviewing the discontinuation of a price point: the assessment process and methodology; and market fundamentals.

1. Assessment process and methodology: Is the price still assessable or has the assessment become obsolete? Have we used the right specifications? How robust is the assessment/index?
2. Market fundamentals: Is there insufficient activity in the market? Does the product lack features of commoditisation (assessments may have been premature)?

It is important that we give sufficient warning of any discontinuation to our clients, contributors and other market participants, with an explanation of the reasons and the discontinuation process that we will follow.

The consultation process may be of similar length to that of methodology reviews, but the notice period before a discontinuation becomes effective may extend for up to a year to give sufficient warning to market participants using the prices in contracts. For prices subject to the BMR, any discontinuation proposal must be discussed and approved by the Board of Directors of FBA.

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