

# MOC Participation Acceptance and Review Principles and Procedures

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## 1. Introduction

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High-quality information is crucial to maintaining the integrity of Platts' price assessment processes. Platts' overriding objective is to ensure that input data used as the basis for price assessments are representative of market value.

Platts reporters assessing spot commodity values where the Market on Close (MOC) methodology is used base their price assessments on a range of information including:

- Firm bids, offers and expressions of interest to trade, collected and published through the MOC assessment process;
- Other data points observed and collected by Platts' market reporters through a survey of market activity throughout the day; and
- Other sources including public news feeds and information provided by entities participating in the relevant markets; this may include political, environmental and macro-economic developments as well as other information concerning activity or sentiment (e.g., temporary shutdowns).

Platts encourages entities that provide information for consideration in its assessment processes to submit all information they have that may be relevant to the assessment being made. Platts gives priority in its price assessment process to transparently executed transactions and firm bids and offers, as specified in Platts' methodologies.

To maintain the integrity of information used in its assessment processes, Platts seeks to obtain data from established market participants with a verifiable track record of performance in the commodity market being assessed.

Transactions, firm bids and firm offers are also published in real time for observation and verification by the marketplace. Details published include the identities of buyers and sellers, confirmed prices, volumes, location and stated trading terms.

By providing full transparency around transaction data in the MOC process, Platts is able to test the data by exposing firm bids and offers to the marketplace at large, and ultimately to generate an end-of-day price assessment reflective of market value.

In many cases the MOC process relies upon information observed and collected by Platts through a software application known as eWindow<sup>1</sup>. The eWindow is a communication tool used by Platts' market reporters to collect information from participants in its MOC assessment process, in much the same way that Platts' market reporters collect information using Instant Messenger software, telephones, and other communication tools.

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<sup>1</sup> The eWindow software itself is licensed from and maintained by Intercontinental Exchange (ICE). Platts owns the IP to the process.

All activity communicated through eWindow is also published as headlines on Platts real-time information services, including Platts Global Alert (PGA), to ensure that the information is readily available to all real-time information subscribers in headline format. As above, this allows Platts to test information with the market in real time.

Platts publishes full details of how the MOC assessment process is applied in each market assessed in its methodology and specifications guides that are available on its website.

## 2. Principles of MOC Participation Acceptance and Review

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Platts applies objective criteria to review applicants that wish to participate in the MOC process and monitors all MOC participants to ensure that input data provided by these entities reflect typical market trading practices and standards. These objective criteria are discussed further at section 3 below.

Platts' Pricing Operations, part of the Platts editorial team, are responsible for reviewing all applications for MOC participation. All applicants are subject to acceptance reviews without exception. No applicant will receive preferential treatment during the review.

To be considered for participation in the Platts MOC price assessment process, entities must be capable of trading in the market being assessed. Brokers and other intermediaries must be able to demonstrate that they are third parties through whom principals typically transact.

Where an entity meets Platts' objective acceptance criteria, Platts publishes relevant input data from that entity and may include these data in informing the MOC price assessment process.

If Platts cannot verify that data submitted by an entity are representative of market value, Platts will seek to exclude such data from publication and from consideration in Platts' price assessment processes.

In the MOC assessment process, Platts specifies that transactions must be at arm's length, meaning not conducted between corporate affiliates, individuals or companies that may be related in such a way that creates the potential for a perceived or actual conflict of interest. For example, Platts may consider entities to be related if it becomes aware that there is a pending bid by one company to acquire some or all of another company, or if two companies share a joint venture or other logistics.

If any questions arise about the affiliation between trading parties, Platts will seek detailed information on any relationship for verification before including related data in its price assessment processes.

Platts maintains a clear separation of its commercial and editorial activities. Whether an entity is a subscriber to Platts, or has any business with Platts, is not considered during the MOC review process. Subscription to a Platts service does not enable an entity to participate in the Platts MOC assessment process through eWindow, or any alternative method.

## 3. MOC Participation Criteria

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Platts regularly reviews the companies that provide information for consideration in its assessment processes, always with the sole aim of ensuring that the information going into its assessments is robust and representative of typical market value.

There are four objective criteria which are applied to MOC applicants and participants:

### Criteria One: Ability to Trade

MOC participants must be able to trade on typical terms with a critical mass<sup>2</sup> of active MOC participants.<sup>3</sup>

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<sup>2</sup> Critical mass requires a sufficient number of active MOC participants to ensure that bids and offers published by Platts will be representative of typical market value.

<sup>3</sup> There may be circumstances where Platts will consider entities who do not already take part in the MOC process as part of the determination of critical mass. This is most relevant for new MOC segments, where there are no existing MOC participants.

All applicants therefore need to demonstrate that they are acceptable counterparties to a critical mass of active market participants on terms that are typical to the relevant market and in accordance with Platts' published methodologies.

Platts does not require an applicant to be an acceptable trading counterparty to all participants, nor with any particular participants. However, Platts does need to understand each new applicant's trading relationship with other active participants in the market reflected in the relevant MOC process.

It therefore requests information on the applicant's relationship with each active MOC participant – even if the MOC acceptance process only requires acceptance by a critical mass.

### **New MOC activity**

Platts applies the same objective criteria to review applicants that wish to participate in an MOC process for an assessment in which there is no history of transparent published price information. For such processes, Platts will determine critical mass against active market participants. Once assigned a participation status, such entities will be able to provide bids, offers and transactions to Platts for the purpose of establishing market value. For an MOC process with a limited history of published transparent information, Platts expects that a reviewed MOC participant execute trade with other known participants in the relevant market.

## **Criteria Two: Trade Performance**

All applicants must demonstrate to Platts that they are able to perform as a buyer and/or seller in the market reflected in the relevant MOC process. This will usually include providing evidence of trade performance in the corresponding MOC segment and evidence of logistical capability to perform in accordance with its expected business model (for example, evidence of owned/rented storage facilities and trading operations).

Where an applicant has an established trade record in at least one other analogous MOC segment<sup>4</sup> Platts may be satisfied as to the applicant's ability to perform based on that track record.

## **Criteria Three: Business profile/Financial standing**

### **Business profile**

For an entity that is not already active in any Platts MOC assessment process, Platts reviews or requests registration, incorporation and/or ownership documents (or equivalent) and/or a description of the entity's activity and length of time in business.

### **Regulatory status**

Platts requires applicants to provide:

- City and country of registration
- Legal Entity identifier (if applicable)
- State whether or not the applicant entity is supervised by a national competent authority in the EU
- If supervised, provide details of the authority and business activity for which it is regulated

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<sup>4</sup> For example, an MOC participant that wishes to join an MOC process for a barge market where it is already active in an MOC process for another barge market; or an MOC participant that wishes to join an MOC process for a derivatives market where it is already active in an MOC process for another derivatives market in the same commodity.

### Financial standing

As part of analyzing whether an entity is able to trade with other participants in the market on standard terms, Platts requires applicants to have sufficient financial standing and creditworthiness.

Platts can verify the entity's financial standing in a number of ways, for example, by requesting the entity to provide a reference from at least one major financial institution in an international trading center or documents such as financial results, paid up capital or bank statements. In the case of a parent company guarantee, the applicant entity must be able to provide this documentation if a subsidiary is nominated.

### Criteria Four: Familiarity with Platts' methodology and MOC process

Platts requires that participants in its assessment process are familiar with the methodology that governs the process itself and are willing to follow those guidelines when participating in the MOC process.

Participants may demonstrate familiarity in a number of ways, including attendance at Platts' regular MOC training sessions or an overview of the relevant MOC process with a member of the Platts editorial team.

## 4. MOC Participation Reviews

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There are two types of MOC participation review: initial MOC **Acceptance Reviews** into a specified MOC and market segment, and **Event-driven Reviews**.

1. **Acceptance Review:** in order for an entity that operates in the market to have its bids, offers and transactions considered for inclusion in the Platts MOC assessment process, it must undergo a review procedure to demonstrate that it meets Platts' objective criteria for publishing data.
2. **Event-driven Review:** Platts will also undertake a review of a participant following an event that could impact the credibility of the specific entity's data.

These reviews are conducted using a globally applied process. The objective of these reviews is to maintain the integrity of the information published as it leads into the price assessment process. Platts operates the MOC assessment process on the principle that all published expressions to buy or sell are considered firm and actionable, and of the highest quality in terms of detail and transparency.

Both of the above reviews comprise the following stages:

- Initiation
- Data Gathering & Analysis
- Decision
- Notification

Platts' Pricing Operations are responsible for all steps in the Platts MOC participation review process. Platts endeavors to conduct reviews as swiftly as possible.

Information gathered through participation reviews is for internal purposes only.

## 5. Acceptance Reviews

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### 5.1 Initiation

- An entity may communicate its interest to participate in Platts MOC assessment process through any of a number of channels, including to Pricing Operations directly, any other Platts editorial teams, or the regional eWindow team. An entity will be directed to submit its interest at the following location <https://www.spglobal.com/platts/en/our-methodology/participation-review>
- Platts Pricing Operations can be notified directly by an email to [moc\\_review@spglobal.com](mailto:moc_review@spglobal.com) or [pricegroup@spglobal.com](mailto:pricegroup@spglobal.com)

### 5.2 Data gathering and analysis

- Platts' Pricing Operations will contact the person representing the applicant to start the review process.
- Platts will initially seek information including (i) the entity's ability to execute trades with the participants within the specific MOC segment, (ii) evidence of the entity's ability to perform in the market corresponding to the relevant MOC segment, and (iii) details of any affiliations and trading impediments that may exist with any entities eligible for the segment's MOC assessment process.
- Verification with the current participating MOC entities will be done by analyzing existing Platts' MOC and editorial information and by contacting relevant entities where such information is not already available to Platts.
- It may be necessary to follow up with more specific questions as the review progresses.

### 5.3 Decision

- After reviewing and considering all information, Platts' Pricing Operations will make and record the decision on the participation status of the entity.

### 5.4 Notification

- Platts' Pricing Operations will inform the entity of the outcome of the review, providing information relevant to the decision.
- Where Platts decides to publish an entity's information, the entity will confirm the names of the personnel authorized to provide market information to Platts for the purpose of the MOC process and will be requested to inform Platts of any changes in such personnel as soon as possible. Pricing Operations will also notify the relevant Platts market reporters when an entity has been accepted for participation.
- If an entity is accepted into the MOC process, Platts' Pricing Operations will issue a subscriber note to be published on the relevant Platts real-time information system.
- If an entity is accepted into the MOC process it will be requested to inform Platts of any changes to its bilateral trading capabilities as soon as possible.

## 6. Levels of Participation

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After the acceptance review, entities may be assigned one of three levels of participation.

- Level A – Platts will publish bids, offers, and intents to trade from the MOC participant and may include these data in informing the MOC price assessment process.
- Level B – Platts will only publish intents to trade from the MOC participant. Platts will not publish firm bids and firm offers from the MOC participant.
- Level C – Platts will not publish bids, offers, and intents to trade from the MOC participant and these data will be excluded from informing the MOC price assessment process.<sup>5</sup>

A fourth level, **Level AR (Entry Review)**, is assigned to entities undergoing an Acceptance Review and which have not yet been assigned a level of participation. Platts will not publish bids, offers, and intents to trade from such entities.

If an entity fulfils all four objective assessment criteria and its bids and offers are representative of typical market value, Platts assigns Level A to its participation in the MOC. If an entity is able to lift other entities' offers or hit other entities' bids, but its own bids or offers may not be representative of typical market value, Platts may assign Level B. If the applicant substantially fails to meet the four objective assessment criteria, Platts assigns Level C.

## 7. Event-driven Reviews

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### 7.1 Principles

Event-driven Review principles are designed to help ensure that input data used as the basis for Platts' price assessments are representative of market value on an ongoing basis.

Participants may be subject to an objective review by Platts following an event that could affect the suitability of their market information for inclusion in Platts' price assessment process.

Events which may trigger an Event-driven Review include:

- A failure to meet Platts' editorial guidelines for participation and performance in the MOC.
- Non-performance of trades. A participant's failure to fully perform a trade risks damaging the integrity and credibility of the price assessment process. It could also damage the participant's credibility, which may mean that fewer counterparties are willing to trade with it in the future.
- Concerns regarding ability to trade. Platts becomes aware that other participants may be unwilling to trade with an entity on normal terms, due to perceived increased credit risk, unusual corporate action or other reasons.

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<sup>5</sup> As a provider of information, Platts seeks to collect and publish as much information as possible from the broadest possible group of market participants. Platts may, however, decide not to publish information from a participant in the MOC process, and therefore assign a Level C participation status, if it becomes aware of information or an event that could cause the participant to no longer meet its criteria for participation in the MOC process, in order to protect the integrity of the data that it publishes. Such events are described in section 7 (Event-driven Reviews) of this document. Platts also assigns Level C following an acceptance review where an applicant substantially fails to meet the four objective assessment criteria so that information is available if the applicant later meets the criteria to have its information published as part of the MOC process.

- Sustained period of inactivity.
- Unacceptable behavior. The counterparty has engaged in inappropriate conduct towards other MOC participants or towards Platts' staff. Such behavior may be the result of an extreme one-off incident or an accumulation of minor incidents.
- Disputes between participants in the assessment process. In some instances, disputes will arise between MOC participants. Disputes include: (i) the perceived failure of an MOC participant by another participant to meet Platts' editorial guidelines for MOC participation; (ii) an MOC participant's failure to respond to a potential counterparty who has expressed intent to trade during the MOC process; and (iii) matters arising directly from performance of a trade conducted during the MOC process or in the post-trade environment.
- Request for review of participation level. An entity may also request a review of its own participation level.

An Event-driven Review may result in a decision to change the participation level of an entity in the Platts MOC price assessment process.

## 7.2 Process

### 7.2.1 Initiation

- If Platts becomes aware of any of the events described in section 7.1, or any other event which may make the entity's information unrepresentative of market value, it may initiate an Event-driven Review.

### 7.2.2 Data gathering and analysis

- Platts collects information from relevant parties for the purposes of the Event-driven Review.
- In conjunction with disputes where MOC participants have reached a mutually satisfactory resolution, Platts may seek clarity on the details of the resolution.
- If no mutually agreed resolution is reached between MOC participants in a dispute, Platts will continue to collect information and engage with the participants to review the dispute.
- Platts maintains dialogue with all relevant parties throughout any review process.

### 7.2.3 Decision

- Platts' Pricing Operations are responsible for making a decision on the updated participation level of an entity based upon the outcomes of the Event-driven Review.
- Should a participant fail to respond to Platts' requests for information Platts may change the level of participation to Level C.

### 7.2.4 Notification

- Platts' Pricing Operations will inform the entity of the outcome of the review by both telephone and follow-up email, providing information relevant to the decision.

### 7.2.5 Change of participation status

- Where Platts no longer publishes bids, offers and intents to trade in the MOC

process as a result of an Event-driven Review an entity may be restored to Level A or Level B if it addresses the concerns raised. Examples include:

- ❖ Restoring credit lines, counterparty acceptability and market reputability.
- ❖ In the case of non-performance or unacceptable behavior, restoring Level A or Level B status requires restoration of confidence in the view of Platts' editorial management that, going forward, the entity and its representatives will adhere to all Platts' price assessment guidelines.
- An entity should be shown, at a minimum, to have addressed the initial basis for the decision to change its participation status.

## **8. Complaints and appeals process**

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If a participant in or applicant to Platts' MOC process is dissatisfied with a decision made by Platts, it has the option to lodge a complaint or appeal through Platts' Complaints Process as described on Platts.com <https://www.spglobal.com/platts/en/contact/complaints>