

# Platts LNG Derivatives Market-on-Close FAQ

## What is the Derivatives MOC assessment process?

The S&P Global Platts Market on Close for LNG derivatives is a structured price assessment process that is designed to ensure the highest quality of market data for use by Platts reporters when assessing the tradable value of JKM derivative contracts at 4:30 pm Singapore time. In the MOC, Platts publishes firm bids, firm offers and trades reported for publication transparently by market participants. This transactional activity covers monthly, quarterly, seasonal and full calendar year derivatives contracts.

The Platts MOC ends at 4:30 pm Singapore time, but the process itself runs all day, with clear guidelines around the submission of bids and offers for publication, changes to price, and deal reporting. For more information about timing and price increments within the LNG Derivatives MOC, please see the timings and increments guide available here: [www.spglobal.com/platts/plattscontent/\\_assets/\\_files/en/our-methodology/methodology-specifications/lngtiming.pdf](http://www.spglobal.com/platts/plattscontent/_assets/_files/en/our-methodology/methodology-specifications/lngtiming.pdf)

Throughout the trading day, Platts editors survey participants in the LNG market, seeking information on any bids, offers, trades conducted in the spot market, in addition to information that may impact derivative market fundamentals. Platts also gathers and publishes information received from market participants that report their own firm, named bids, offers and trades for publication.

Any information published by Platts and made available to the market may be used in the assessment process, but firm bids and offers that remain open and outstanding at the market close will typically take precedence in the final, published assessments, which are designed to reflect the value at the close of trading.

## Why does Platts assess derivatives values?

Platts assesses LNG derivatives prices in order to provide further transparency to market participants on the value of different parts of the JKM forward curve. Derivatives represent an underlying, market-assigned future value of the Platts physical assessments, and are a particularly important component in fully analysing the hedgeable value of physical cargoes trading on floating price basis.

For example, if a company offers or bids for a cargo of LNG at JKM monthly average for June +\$0.10/MMBtu, Platts would typically apply this differential to the Platts assessment for June JKM derivatives to establish the hedgeable outright price value, before starting the normalization process to convert the physical offer or bid to an equivalent of the JKM specifications and standard terms on an outright price basis.

## Why does Platts use derivatives assessments to value floating price physical cargoes?

Value in many markets is clearly defined through outright price bids, offers and trades. But floating price information can also be an important part of a market, and as this grows as a proportion of total trade it is imperative to be able to include this information in market benchmarks. Floating price bids, offers and trades are ultimately priced against future, yet-to-be published Platts assessments, and it is therefore critical to understand their present value at the time of trading itself.

Just like derivatives, Platts-related physical cargoes that trade on a floating price basis ultimately derive a final value over a pre-determined period of time in the future, with a premium or discount applied. While the future value that Platts will publish in its assessments can never be known at the time of trading a cargo that will be delivered and priced in the future, a hedgeable, proxy value for the relevant Platts assessments of the future can be inferred from derivatives markets, so long as the derivatives analysed, and the floating price physical contract being valued, use the same Platts reference price for final settlement. The number of JKM-linked bids, offers and trades in the spot market has jumped significantly in the last two years, and a significant volume of spot market and term contract activity both inside and outside the Platts physical MOC process is negotiated on a forward-JKM, floating price basis. For instance, the number of JKM-linked bids and offers in the Platts physical MOC process jumped over 300% in 2019 year on year.

## Does this mean that Platts physical JKM price would be based on paper trades?

All Platts physical assessments reflect physical market information. The use of derivatives in valuing physical bids, offers and trades does not mean the ultimate physical price is in fact based on a paper; a floating price physical cargo trade is still a physical contract, and the derivatives markets are used simply to establish the hedgeable outright price value of such trades at the time of execution. The same principles are employed across many commodities, including Dated Brent crude oil, Singapore fuel oil and iron ore.

## Does Platts prioritize floating price information over outright price information?

Ultimately, Platts publishes an outright value price assessment for JKM, and the clearest demonstration of this value is therefore the most relevant to the assessment. Outright prices take precedence in the editorial process at all times, particularly when an outright price conflicts with a floating price value. For example, an outright price bid or offer (i.e., \$3.50/MMBtu) may invalidate a floating price basis bid or offer (i.e., JKM plus \$0.10/MMBtu) during the assessment process if the prices demonstrably coexist in conflict at any moment in time, when normalizing values between floating and outright values.

## Where is Derivatives MOC information published?

Platts launched the Editorial Window (eWindow) to support the LNG Derivatives MOC on June 26, 2020. eWindow is an electronic communication tool that enables users to enter and immediately view bids, offers and transaction data. Companies are therefore now able to publish their bids, offers and trades on eWindow. This data is immediately transmitted in real time on Page 008 of Platts LNG Alert (LNG) and Page 001 of Platts Natural Gas Alert (PGN).

Firm bids, offers and expressions of interest to trade from companies may also be published by Platts editors on eWindow manually. This information can be seen on Page 008 of Platts LNG Alert (LNG) and Page 001 of Platts Natural Gas Alert (PGN). Companies can submit their bids, offers and expressions of interest to trade to Platts editors via [platts\\_lng\\_moc@spglobal.com](mailto:platts_lng_moc@spglobal.com), **ICE Chat: Platts\_asia\_lng**, or by calling **+65 6530 6417**.

## How can a company register to participate in the Derivatives MOC process?

Entities that wish to participate in the Derivatives MOC should contact [pricegroup@spglobal.com](mailto:pricegroup@spglobal.com). The Platts Price Group Operations team will conduct a participation review to establish that the company is credible, creditworthy and an active participant in the broader market for that commodity. Entities can also request more information on how MOC works and Platts guidelines for the process. Entities must be reviewed for each specific market and evaluated against the editorial criteria for that market. Therefore, each entity must undergo the participation review process for LNG derivatives, regardless of an established participation level in another Platts MOC process such as the LNG physical MOC process.

For more information on the participation review process, please visit [www.platts.com/market-on-close](http://www.platts.com/market-on-close)

## How can a company report activity in the Derivatives MOC?

Companies must submit any bids and offers before the cut-off time indicated in the timings & increment guide. Platts editors typically communicate with market participants through eWindow, phone, instant messenger or email.

Information including the full name of the company, the tenor, price, volume and order type (bid, offer, time spread etc.) must be submitted before the cut-off. Buyers and sellers may withdraw their bids or offers at any time during the MOC by communicating through eWindow or directly to Platts editors, unless another company has expressed interest to trade the bid or offer. Counterparties must clearly communicate their interest to trade a published bid or offer through the eWindow or directly to Platts editors. Bids or offers that are traded in the MOC may be repeated at the same or a less competitive price. Due to the relative homogeneity of the derivatives market versus the physical cargo market, companies can change not just the price but also the volume of their bid or offer after the start of the pricing period.

Platts expects that the trading terms commonly used between counterparties outside of the MOC to be observed for MOC-reported trades, including whether trades are done on a cleared or bilateral basis. Market participants should not unreasonably withhold clearing or hamper the established trading process between counterparties.

## How does post-trade activity work in the Derivatives MOC?

From time to time, Platts may review performance of trades reporting in LNG MOC to maintain the integrity of the assessment process. Platts reserves the right to not publish bids, offers and trade information from a company that fails to perform as per standard industry practice and Platts guidelines.

## How can brokers represent principals in the Derivatives MOC?

Should a broker wish to represent a principal in the Derivatives MOC, the broker needs to ask the principal to email Platts directly authorizing the brokerage firm to act on their behalf. This needs to be communicated freshly for each market. For example, if Delta Brokerage is already authorized to represent Beta Trading in the physical MOC process, Beta Trading would need to contact Platts specifically in order to authorize Delta to also communicate information on their behalf in the JKM derivatives price assessment process. Platts requests brokers to ask principals to send such communication well ahead of the cut-off in order that Platts has sufficient time to review the communication.

For further questions on any points raised in this FAQ, please email [platts\\_lng\\_moc@spglobal.com](mailto:platts_lng_moc@spglobal.com) or reach out to the Platts editorial team via these media:

**ICE Chat:** [Platts\\_asia\\_lng](#) or **+65 6530 6417**.

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