



Benchmark Cessation Policy

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Contents page

1. Introduction.....	4
2. Objective and potential reasons for benchmark cessation	4
3. Guiding Principles	5
4. Benchmark cessation plan.....	5
5. Allocation of responsibilities and benchmark cessation procedure.....	6
6. Emergency benchmark cessation procedure (Force Majeure).....	7
7. Timing and notice	7
8. External Engagement	8
9. Record Keeping	8
10. Document Review and Approval	8

1. Introduction

- 1.1 The Baltic Exchange Information Services Limited (BEISL) is the administrator of a number of benchmarks and families of benchmarks. BEISL ensures that its benchmarks are provided in compliance with the IOSCO Principles for Financial Benchmarks and the EU Benchmark Regulation (BMR).¹
- 1.2 This cessation policy and procedure is specific to those BEISL benchmarks or families of benchmarks that fall within the regulatory scope of the BMR. It sets out the steps that BEISL shall take in the event of a cessation of a benchmark that may be used in the European Union pursuant to Article 28 of the BMR.
- 1.3 Benchmark cessation shall be the permanent discontinuation of the determination and administration of a benchmark.

2. Objective and potential reasons for benchmark cessation

- 2.1 BEISL recognises its benchmarks have a wide range of applications as outlined in the Guide to Market Benchmarks (GMB). While we seek to ensure that all relevant characteristics of the shipping market are reflected in benchmark methodologies, it is possible that certain factors will necessitate changes to, or cessation of one or more benchmarks administered by BEISL. This document sets out the procedure to be applied in circumstances where it becomes necessary to cease any of its benchmarks. These circumstances may be due to external factors beyond the control of BEISL, internal strategic considerations or voluntary discontinuations.
- 2.2 Circumstances that may trigger a benchmark cessation may include, but are not limited to:
 - Legislative or regulatory change that would deem further provision of a benchmark impossible or otherwise unsustainable;
 - A prolonged implementation of a contingency measure where remediation is not possible or achievable within a specified time frame;
 - A benchmark becoming no longer representative of the economic reality it intends to measure, due to factors including (but not limited to) lack of sufficient Input Data and/or developments in physical freight or freight derivatives markets;
 - BEISL becoming unable to continue to determine the benchmark in a reliable fashion;
 - A benchmark provision becoming economically unsustainable;

¹ IOSCO Principles for Financial Benchmarks, July 2013 ([link](#)) and Regulation (EU) 2016/1011 of the European Parliament and of the Council of 8 June 2016 on indices used as benchmarks in financial instruments and financial contracts or to measure the performance of investment funds and amending Directives 2008/48/EC and 2014/17/EU and Regulation (EU) No 596/2014, OJ L 171 (29 June 2016) ([link](#))

- Limited or no use of a benchmark as a reference in financial instruments; and
- Change in economic reality, market demand or product strategies affecting BEISL's benchmark administration activities.

2.3 To this end, BEISL shall keep under review:

- The structure and liquidity of the market underlying each benchmark;
- The representativeness of the benchmark; and
- The users of a benchmark and the use to which they apply the benchmark.

In its review of the above, BEISL may take the view that a benchmark is no longer representative of its intended interest, and that this cannot be remedied by a corrective change to the benchmark methodology, design, or other aspect of the processes and procedures around the creation and usage of the benchmark pursuant to Section 5 of the GMB.

3. Guiding Principles

3.1 As noted in Section 5.1 of the GMB, BEISL has an obligation to ensure the integrity of the benchmark that it administers and in doing so, take into account the characteristics of the physical freight and freight derivatives markets. In the execution of this benchmark cessation policy, BEISL shall have regard to the following guiding principles:

- Consideration to be given to a potential impact on stability of the financial market;
- Consideration to be given to the potential economic and financial impact that may result from the cessation of a benchmark;
- Recognition that for the physical freight marketplace, trade patterns change and vessel types and sizes develop over time which shall be reflected in BEISL's benchmark methodology;
- Recognition that in respect of derivatives market, consideration to be given to outstanding open interest as well as the usage made of the route assessments and averages in the conclusion of long-term physical deals.
- Consideration of any applicable regulatory and/or financial implications that may result from contracts and financial instruments that reference the benchmark.

4. Benchmark cessation plan

4.1 When BEISL determines that one or more of its benchmarks should cease, BEISL will proceed with the execution of the benchmark cessation plan in accordance with the table set out in section 5.2 below. To this end, BEISL will give due consideration to the following:

- **Consultations-** BEISL shall conduct necessary consultations with the Baltic Advisory Councils, Panellists, FFABA, Baltic members and other stakeholder groups, as appropriate.
- **Provision of adequate notice-** Where possible BEISL shall inform the market with as much notice as practical after consultation process. Such notice shall be given by way of circulars that are directly distributed to members of the Baltic Exchange and also published on the BEISL website. BEISL may also communicate through the Baltic Advisory Councils, forums and newsletters.

5. Allocation of responsibilities and benchmark cessation procedure

Roles and responsibilities

- 5.1 Upon encountering circumstances where it may become necessary for BEISL to cease the determination and administration of a benchmark, BEISL shall execute its responsibilities as outlined in Section 5.2 below.
- 5.2 The following table provides an overview of the roles and responsibilities to be executed in the event of the cessation of a benchmark:

Role	Responsibilities
BEISL (Senior Managers/ Compliance Department and Senior Assessor)	<p><u>Analysis and investigation</u></p> <p>BEISL shall carry out an analysis and consider the benchmark usage, liquidity in the underlying markets and availability of Input Data, contracts and financial instruments that reference the benchmark, and the impact on economic and financial stability that might result from the cessation of the benchmark.</p> <p><u>Consultation</u></p> <p>Upon completing the analysis, BEISL shall carry out its consultations as set out in Section 4.1 above.</p> <p><u>Detailed benchmark cessation plan</u></p> <p>BEISL shall prepare a detailed benchmark cessation plan, including timelines and process for consulting relevant stakeholders, and submit it for approval to the BEISL Board.</p>

BEISL Board	<p>Inform BEISL Oversight Function and the BIC without undue delay about the circumstances justifying the cessation of a benchmark.</p> <p>Review and approve detailed benchmark cessation plan prepared by BEISL and submit the plan without undue delay to the BIC for comments.</p> <p>Implement the cessation of the benchmark in accordance with the agreed plan and in coordination with the BIC.</p>
Baltic Index Council (BIC)	<p>Provide comments and recommendations to the BEISL Board on the proposed benchmark cessation plan.</p> <p>Assist the BEISL Board in implementing the plan by governing the benchmark cessation process.</p> <p>In accordance with section 3(3)(c) of the BIC Terms of Reference, put forward recommendations to the BEISL Board in relation to implementation of the benchmark cessation process.</p>
BEISL Oversight Function	<p>Review the cessation of any benchmark in accordance with this document and the cessation plan submitted by BEISL to the BEISL Board.</p>

6. Emergency benchmark cessation procedure (Force Majeure)

- 6.1 It is possible that in extreme circumstances beyond the control of BEISL it becomes necessary to cease a benchmark with little notice and consultation. This may include (but is not limited to) a sudden change in circumstances or markets resulting in it being impossible to produce a viable benchmark, and impossible to source alternative remedial action.
- 6.2 Under these extreme circumstances, BEISL will ensure that all relevant information including back-up plans and, and where possible and appropriate, information on alternative benchmarks, is published for users and stakeholders as soon as practically possible. BEISL will also ensure that updates are given promptly as circumstances evolve.

7. Timing and notice

- 7.1 Any proposed timing and notice by BEISL shall take into account the following:
- If the cessation of a benchmark is a regulatory requirement or the effect of any regulatory, legal or other provisions;

- The urgency, if any, of ceasing a benchmark;
- The extent and impact, if any, of IT and operational issues;
- The duration of any consultations;
- The amount of notice to be given to the marketplace and Panellists to allow them to take appropriate action.

8. External Engagement

- 8.1 In the process of implementing a benchmark cessation procedure, BEISL shall take all reasonable steps to maintain open and transparent communication with all relevant stakeholders, including benchmark users, Panellists and Baltic members.
- 8.2 BEISL shall also provide prompt notifications to the Financial Conduct Authority including information about (1) initiation of the benchmark cessation procedure and (2) conclusion of the benchmark cessation procedure and any phase out periods, if applicable.

9. Record Keeping

- 9.1 BEISL shall maintain relevant records in accordance with Section 9.3 of the GMB when it intends to cease a benchmark. In particular (but not limited to), records relating to the reason for cessation, relevant discussions, meeting minutes, key communications and consultation points shall be retained for a minimum of five years.

10. Document Review and Approval

- 10.1 BEISL shall review this document on an annual basis or whenever a cessation of a benchmark is undertaken.