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Benchmark Statement

Baltic Exchange Panamax Index

1. Introduction

- 1.1 This benchmark statement is provided by the Baltic Exchange Information Services Limited (**BEISL**) as an administrator of the Baltic Exchange Panamax Index (**BPI**) family of benchmarks. BEISL will review and, where necessary, update information provided in this benchmark statement in the event of any relevant changes, including whenever information contained in this statement ceases to be correct or sufficiently precise, and in any event at least once every two years.
- 1.2 The content of this document has been prepared in accordance with the requirements of 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 (**BMR**) and the corresponding secondary legislation, notably Commission Delegated Regulation (EU) 2018/1643 on the contents of, and cases where updates are required to, the benchmark statement to be published by the administrator of a benchmark.¹
- 1.3 This benchmark statement should be read in conjunction with the Guide to Market Benchmarks. Among other things, the Guide to Market Benchmarks includes definitions of all key terms relating to the Baltic Exchange Panamax Index family and referenced in this benchmark statement.
- 1.4 BEISL does not currently assign an international securities identification number (ISIN) to the benchmarks for which it is the administrator.

2. About Baltic Exchange Panamax Index Family

General information

- 2.1 The Baltic Exchange Panamax Index family is based on contributions of Input Data provided by Panellists.

¹ 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](#)) and Commission Delegated Regulation (EU) 2018/1643 of 13 July 2018 supplementing Regulation (EU) 2016/1011 of the European Parliament and of the Council with regard to regulatory technical standards specifying further the contents of, and cases where updates are required to, the benchmark statement to be published by the administrator of a benchmark, *OJ L 274* (5 November 2018) ([link](#)).

2.2 The Baltic Exchange Panamax Index family qualifies as significant benchmarks as defined under Title III, Article 24 BMR. This classification is primarily dictated by the fact that there are no or very few appropriate market-led substitutes.

Economic reality measured

2.3 The Baltic Exchange Panamax Index family seeks to measure the prevailing market rate for freight for all of its component routes and within specific parameters for both the vessel and the routes as set out in the methodology. Circumstances in which such measurement may become unreliable may include insufficient Input Data and/or various unforeseen developments in the marketplace.

2.4 The Baltic Exchange Panamax Index family covers the following:

Name	Description
BPI	Index number
P5TC	Weighted Timecharter Average of P1A_82, P2A_82, P3A_82, P4A_82 and P6_82
P1A_82	Skaw / Gibraltar transatlantic round voyage
P2A_82	Skaw / Gibraltar to Taiwan / Japan
P3A_82	Japan / South Korea transpacific round voyage
P4A_82	Japan / South Korea to Skaw / Passero
P6_82	Singapore transatlantic round voyage
P7	US Gulf to Qingdao
P8	Santos to Qingdao
P5_82	Baltic Exchange Panamax Asia (BEP Asia) Panamax South China, one Indonesian round voyage

2.5 Participants in the market that the Baltic Exchange Panamax Index family seeks to measure include shipbrokers, shipowners, operators, traders and charterers.

Technical specifications when discretion may be exercised

2.6 BEISL’s benchmark determination process takes into account the relatively limited liquidity of shipping markets and the underlying volatility, and as such it provides for Panellists to exercise discretion over the relative value that they attribute to various information (such as transaction data, tonnage availability, order lists, sentiment and news flow) that they rely on in order to reach their assessments. In the circumstances when no transaction data is available for a specific assessment, Panellists may use their Expert Judgment stemming from their knowledge of the wider market in order to provide an appropriate assessment. Panellists are required to ensure that all Input Data is reviewed and approved at an appropriate level of seniority and competence prior to submission to BEISL.

Notice of possible changes or cessation of benchmark

2.7 The shipping market is a dynamically changing environment, with trade patterns changing and vessel designs evolving over time. Such developments may have an impact on the benchmarks administered by BEISL, which seeks to ensure that they are appropriately reflected in the

benchmark methodologies. It is also possible that certain factors, including factors beyond the control of BEISL, may necessitate changes to, or the cessation of, the benchmark. Users of the Baltic Exchange Panamax Index family should take note of the fact that changes to the benchmark or the cessation thereof may have an impact upon the financial instrument that reference that benchmark.

Benchmark methodology rationale and review

- 2.8 BEISL is under obligation to ensure the integrity of its benchmarks. To this end, BEISL strives to ensure that its methodology reflects the realities of the shipping market, which changes constantly. BEISL benchmarks are calculated on the basis of Input Data provided by a reliable and representative group of Panellists. BEISL also undertakes regular, at least annual, reviews of the methodologies for all the benchmarks it provides. The regular reviews are undertaken by the BEISL Board and by the BEISL Oversight Function. Changes to the benchmark methodology have to be approved by the BEISL Board, subject to input provided by the BIC.
- 2.9 The Guide to Market Benchmarks sets out possible types of changes to the BEISL benchmark methodologies and including minor changes, emergency changes, scheduled changes and major changes. Each type of change is subject to separate procedures, as outlined in section 5.3 of the Guide to Market Benchmarks. Both scheduled and major changes involve consultation with the relevant stakeholders. In respect of major changes, BEISL acknowledges that detailed consideration of the impact of prospective changes is required and that market participants need to be given sufficient notice of any such upcoming changes. It therefore sets out and communicates to the marketplace implementation plans and relevant timelines well in advance prior to initiating such changes.

Criteria and procedures for determination of benchmarks

- 2.10 BEISL's benchmark determination process is based on the confidential provision of Input Data by Panellists, selected in accordance with the criteria set in section 7 of the Guide to Market Benchmarks. Input Data constitutes the professional judgment of the Panellist at the time of the assessment for the particular physical route. The criteria for selection of routes for the purpose of benchmark determination are included in section 4.2 of the Guide to Market Benchmarks and include elements such as trade volume, amount of accurately reported fixtures and standard terms. General rules applicable to calculation of the BEISL benchmarks require that the priority for the purpose of Input Data contribution is given to transaction data, but the BEISL methodology takes into consideration that such transaction data may not always be available, and hence provides for Panellists to use their discretion and Expert Judgment if and when applicable. The published benchmark is an arithmetical average of all Input Data received for the purpose of its calculation.

Controls for use of expert judgment or discretion

- 2.11 As indicated in section 2.6 of this benchmark statement, Panellists retain discretion to decide the respective importance of the factors they take into the account when arriving at their assessments for the purpose of Input Data contribution. In clearly defined circumstances they can also decide to rely on their Expert Judgment in order to provide the Input Data. When such direction and/or Expert Judgment is exercised, the Panellists shall refer to the guidance provided to them by the Senior Assessors. The elements of this guidance are set out in section 6.3 of the Guide to Market Benchmarks. In addition, Panellists need to ensure that their Input Data – based on the use of discretion or Expert Judgment – is evaluated internally at an appropriate level of seniority and competence prior to submission to BEISL. To this end, the Panellists are required to have in place appropriate systems and controls providing for pre- and post-contribution checks of Input Data, as well as ongoing monitoring.

Procedures applicable in periods of stress or insufficiency of transaction data

- 2.12 BEISL recognises that periods of stress or periods when transaction data sources are insufficient, inaccurate or unreliable may arise from time to time, therefore resulting in benchmark limitations in such periods. The Guide to Market Benchmarks outlines procedures

applicable in such circumstances and which are summarised in sections 2.14 and 2.15 of this benchmark statement. In addition, BEISL maintains a Benchmark Business Continuity and Disaster Recovery Plan policy, as set out in Appendix 6 of the Guide to Market Benchmarks.

Procedures for dealing with errors

- 2.13 While BEISL makes every effort to ensure the accuracy of benchmark determination processes, it is possible that errors may occur. Such errors may occur either at the level of BEISL (computer system error, human error) or the Panellist (erroneous Input Data). In case of an error occurring at the level of BEISL and when data entry or calculation error is found in a published benchmark, the Senior Assessor will advise the CEO. In case when an error occurs at the Panellist level and when an Assessor considers that Input Data may contain an error, he or she will consult the Panellist, and the Panellist may offer to correct it. In either case and subject to the views of the Senior Assessor and the CEO, an error does not always give rise to a correction and/or public announcement of the correction. If, however, such error is considered substantial and is observed soon after initial publication has taken place, the CEO will advise the BIC. Upon consideration, the BIC may put forward additional recommendations to the BEISL Board on how to deal with such error. When deemed appropriate, such correction to the published benchmark will be announced by BEISL to the market, together with an explanation. All errors and the actions taken have to be reported to the CEO.

Benchmark limitations

- 2.14 Due to the cyclical nature of shipping, markets can be characterised by periods of relatively limited liquidity and as such it is possible that the number of transactions available to report on a given physical route may not be sufficiently representative in order to ensure the accuracy and reliability of a benchmark. In such circumstances, the Panellists are required to rely on the guidance contained in the Guide to Market Benchmarks, use of Expert Judgment based on market information and/or reference voyage for time charter and vice versa. Lack of sufficient Input Data to determine the benchmark for a physical market route in accordance with its methodology would occur if the number of Panellists who meet the criteria set out in Section 7 of the Guide to Market Benchmarks would be less than five (5) or the annual trade pattern would be less than two vessel voyages per week. In such circumstances, BEISL would not publish an index for such route.
- 2.15 BEISL recognises that from time to time there may be an exceptional market event that could render the benchmark reporting impossible or meaningless. Examples of such events include the outbreak of war, terrorism, civil unrest, sanctions and major accidents that render ports inaccessible. In such circumstances, BEISL's methodology contains procedures for emergency changes, as set out in section 5.3 of the Guide to Market Benchmarks.