Argus Media's response to the IOSCO Consultation Report on the Functioning and Oversight of Oil Price Reporting Agencies

Contents

Introduction to Argus Media's response to the IOSCO Consultation Report on the Functioning and Oversight of Oil Price Reporting Agencies

Argus Media (Argus) notes the IOSCO public consultation on the functioning and oversight of Price Reporting Agencies (PRAs) and responds accordingly. Argus asks IOSCO to consider the following introductory remarks by way of background to the responses provided.

Argus is a journalistic enterprise and publishes information to bring transparency to opaque physical commodity markets

Argus is one of the world's leading "price reporting agencies", as publishers of oil and commodity price information are known. Argus is a leading independent publisher engaged in identifying spot market prices in various commodity markets including oil, natural gas, coal, power, fertilisers and emissions.

Argus is a publisher of information, which it sells on a subscription basis. It does not offer a trading system or a system for directly posting bids and offers on to an electronic marketplace. Argus' role has always been to identify and publish arms-length prices in the markets on which it reports. The term "arms length" is defined in UK tax legislation and means prices that are negotiated between independent counterparties.

Argus' founder Jan Nasmyth began to assess oil market prices over 40 years ago because he perceived a lack of transparency in the oil markets. In Europe alone, for example, refined products traded in a range of different currencies and units. This enabled leading oil companies to price their oil in a way that left wholesale customers with little idea of fair value. Oil companies were far from receptive to Nasmyth's efforts to identify open market prices. This reluctance persisted until the Iranian revolution in 1979 forced oil companies to buy crude oil for their refineries at market prices and to establish fair value for the products they produced at their refineries.

Since the 1970s, price discovery and transparency in the physical oil markets have become far more developed than in other commodity markets such as agriculture and metals.

Through its services, Argus and its competitors level the playing field by providing market price information to large and small companies. This provides opportunities for new entrants to join the marketplace, which can increase liquidity and price transparency. IOSCO notes the "important role" of PRAs in "editing and disseminating information", adding: "In the absence of PRAs, subscribers would have to rely on alternative sources of market information and would need to augment their own internal information collection and analysis activities."[1] This would not be possible for a large number of the subscribers that

[1] Oil Price Reporting Agencies, Report by IEA, IEF, OPEC and IOSCO to G20 Finance Ministers, October 2011, p16

Argus provides a service to. Put simply, the absence of PRAs would favour the large vertically integrated organisations, and new or smaller entrants would struggle to enter the marketplace.

Argus is a journalistic enterprise. Argus encourages IOSCO to take into account the fact that journalistic enterprises have historically been protected from undue interference by governments in the name of freedom of speech. This presumption of non-interference, combined with the numerous risks and problems associated with attempting to regulate PRAs as outlined throughout this response, underpin Argus' clear position that the regulation of PRAs is unjustified in principle and in practice.

Multiple methodologies for diverse markets

Physical oil markets are non-standard and diverse and require multiple methodologies to identify prevailing price levels. No two cargoes of crude oil or refined product are exactly alike, in contrast to the assets traded in many financial markets such as securities and foreign exchange. There is no single oil market, there are many, and within each market there are many sub-markets.

Methodological approaches are subject to many valid views and each PRA must choose methodologies that are acceptable and compatible with each market.

Through more than 40 years of experience, Argus has developed detailed methodologies for each part of each oil market, in order to reflect the fragmentary and opaque nature of these markets. Argus' methodologies, which are freely published on its website, are followed rigorously by Argus to identify arms-length market prices in each of the markets it covers.

In Argus' view, it is not possible to apply one methodological model to all oil markets because the structure, timing, size of cargoes traded, level of liquidity and other factors vary from market to market. Some markets are assessed through price indexes derived from deals done throughout the day. Others are thinly traded and require alternative methodological approaches in which Argus gathers a range of information from market participants to develop price assessments. Liquidity in these markets could easily be damaged by regulation of the methodological approaches adopted.

In every case, methodologies are developed in consultation with market participants and are aimed at providing robust, reliable market pricing that meets the needs of participants in each market.

The key role of a PRA is to normalise the available information to identify the fair market value of multiple grades and timings of crude oil and refined products in a vast range of non-fungible and heterogeneous oil markets around the world. As

IOSCO itself has noted: “Crude oil qualities, cargo size, vessels, ports and the creditworthiness of buyers and sellers vary from transaction to transaction.”[2]

Oil markets are not the same as financial markets in that there is little standardisation among individual deals, limited participation in some markets and limited liquidity. Oil and the infrastructure required to deal with it are tangible assets. Financial derivatives will often have no underlying tangible asset. When a PRA normalises diverse pieces of information to arrive at price assessments, it brings transparency to oil markets and helps them to operate more effectively. Once a PRA has published a price series for a particular grade of oil, under particular delivery specifications, industry acceptance may help trading coalesce around this specification. This allows further trading to evolve and increases transparency. Greater confidence in a price assessment may result in it being used as an index for spot and term contracts. This can lead to the index becoming a benchmark and to its being used as the underlying price to settle derivatives contracts.

Mandated methodologies would stifle the evolution in price references described above. Oil markets are constantly developing and evolving, requiring PRAs to adjust methodologies as markets change. Limiting the natural evolution of markets by imposing fixed methodologies would hinder the development of benchmarks, derivatives markets and tools used by the oil sector and manufacturing industry in managing their risk.

Risks to competition

The PRA sector has considerable competition, with Argus being just one of the major players. The International Swaps and Derivatives Association (ISDA) lists over 20 organisations that are regarded as providers of physical commodity prices against which swaps can be settled. Competition in the oil price reporting sector in particular is provided by US-based Platts and Oil Price Information Service (Opis), Icis (based in the UK), RIM (based in Japan), Kortes (Russia) and many other specialist agencies. News agencies such as Thomson Reuters, Bloomberg and Dow Jones provide significant competition on a global basis by publishing prices in a range of energy and other commodity sectors, with some of these prices used in indexation.

Competition for indexation in swaps settlement extends beyond PRAs. Exchanges such as Ice and CME provide oil prices that are used to settle derivatives transactions in oil markets. And indexes generated by brokers are used to settle derivatives such as the WCC contract for Canadian crude.

A wide choice of entities provide oil price discovery and indexation and competition is strong between them, exerting pressure on the sector to produce reliable and robust assessments at a reasonable cost.

[2] Ibid, p3

Competition in the PRA sector means that oil market participants are readily able to determine which methodology they prefer to accept as the basis for price references in any particular oil market. Should a customer come to disagree with a particular methodology, it can choose to adopt price indexes produced using an alternative methodology from a competing PRA. This occurs regularly, as recent industry changes of indexation in the northwest European gasoline market, the US domestic crude market and in other oil and energy markets around the world have shown.

Should regulators seek to impose methodologies on PRAs, they risk eliminating healthy competition in the sector, inevitably resulting in a reduction of the choice of service providers in the marketplace and a reduction in the choice of available benchmarks in the long term (thereby limiting the range of investment and risk management tools currently available). An imposed methodology would also have the effect of embedding incumbent index providers in the oil market, as has already occurred in the natural gas market in North America as a result of FERC-mandated methodologies in price reporting.

Oil markets are far more diverse than gas markets, making the imposition of standard methodologies even less appropriate than in power and gas markets. The most effective way of ensuring transparency in opaque physical commodity markets is to continue making the PRAs accountable for the quality and integrity of their services by ensuring that a range of methodological approaches are available so that the market can evaluate and compare price assessments.

Users of PRA services are able to freely switch their choice of provider
Switching between PRAs in indexation of contracts, derivatives and taxation is an option currently open to all users of PRA services. No third party is required to use a price published by Argus provided that other PRAs are able to compete with Argus.

The users of PRA price assessments are large professional organisations including multinational oil companies such as BP, Shell, Total, ExxonMobil and Chevron. These companies use PRA prices throughout their systems for trading, mark-to-market, value-at-risk, price transfers between divisions, and for third-party sales in the downstream markets.

Governments use PRA prices in taxation (for example the UK North Sea crude oil tax regime, which uses a basket of Argus, Icis and Platts). Banks and financial institutions that offer physical trading, derivatives trading and hedging services to the oil industry and industrial consumers rely heavily on PRA pricing, as do exchanges and clearing houses that license PRA price indexes for a variety of uses.

However, although the PRA sector is highly competitive, offering flexibility and choice to a wide-ranging group of users, experience shows that a large impediment to change in oil indexation is the reluctance of governments and their state-owned oil companies to switch between PRAs. This is particularly the case after an individual PRA is written into a tax reference or third-party sales contract. This is unfortunate, since few governments, even in Europe, adopt open tendering processes for the use of PRA services. But any such impediment to change is not caused by the PRAs.

PRAs should not be compared with regulated financial entities

Most PRAs have little or nothing in common with regulated financial entities. Argus is a PRA of over 40 years standing, employing professional practices to arrive at price assessments and indexes that identify and report prevailing market value. It is neither a financial entity nor a trading platform that benefits directly from the trading of oil. Argus is an independent publisher and is not part of a vertically integrated business model. It supplies publications and services on commercially fair and reasonable terms to any market participant or observers willing to subscribe. Argus' customers, therefore, comprise a mix of sellers and buyers in the various commodity markets on which it reports.

Argus' activities contrast starkly with those of a set of entities — the credit rating agencies (CRAs) — that have been the focus of considerable regulatory scrutiny since the financial crisis of 2007-09. Argus is in no way similar to a CRA. Argus produces daily numerical price assessments that can be verified by the market immediately, as opposed to opinions and forecasts that are said to represent the risk of default in the future. In addition, Argus has a mix of buyers and sellers among its customers, and is not paid primarily by one side of the market. PRAs operate a business model without inherent conflicts of interest, in contrast to CRAs.

Argus is independent, transparent and accountable

Argus does not believe that there are any issues or concerns surrounding its corporate structure or regarding the transparency of its accounts. In contrast, regulated financial entities such as exchanges were established with a large degree of ownership by market participants themselves. The ownership of Argus presents no risks to the oil markets, the financial market or the wider economy and as far as the company is aware, no evidence exists of any concerns about its ownership among its customers or the wider market. Argus Media is a secure, growing and independent UK limited company with no external shareholders apart from the family of its founder. All other shareholders are either employed staff or non-executive directors. A list of Argus shareholders is included in its annual return (AR01) filing to the UK's Companies House (www.companieshouse.gov.uk), and is available on the web.

As a privately owned UK company, Argus Media is subject to strict legal requirements under which timely and regular accounts must be prepared and verified by an external auditor. An independent, external financial audit is undertaken at Argus by one of the major auditors, currently Deloitte. Under the

Articles of Association of Argus Media, the board authorises changes in shareholdings and the current practice is to forbid external shareholders apart from the family of its founder.

Argus is subject to numerous existing checks and balances

Argus is not aware of any evidence suggesting that its price assessments and indexes, or any of its media reporting functions, require externally mandated rules, procedures or oversight. Argus notes that it is already subject to checks and balances, in that many of the entities that use Argus prices for indexation are subject to direct oversight. Existing IOSCO guidelines have already been adopted that recommend that market regulators focus on the reliability of the price series or index referenced in any commodity derivatives contract. Regulators have existing powers, which they are already exercising in this regard.

In addition, oil market participants are regulated under existing civil and criminal laws regarding fraud and manipulation in commodity trading. Market participants are aware that they cannot deliberately convey false information to PRAs under existing laws, nor can PRAs knowingly or negligently utilise such false information. These laws are under constant review, with a number of important aspects of price reporting and oil trading captured by existing and proposed legislation in international jurisdictions, including MAD, MiFID/MiFIR and REMIT in the EU and the Dodd-Frank Act in the US.

Argus consults widely with senior oil industry executives and all levels of trading management and other stakeholders on a formal and informal basis over price assessment methodologies. Through this process, and by inviting comments and feedback as a matter of course, Argus has heard no evidence that the oil industry and market participants have concerns regarding Argus' processes, reliability and methodologies that require direct regulation and oversight by a market authority. Argus receives few complaints about its methodological approach for assessing markets and does not operate a trading window employing a market-on-close methodology.

Finally, strong competition within the PRA sector acts as a natural check and balance on the quality and integrity of price reporting services provided by Argus and on the price levels of those services.

PRAs present no systemic risk

As a general observation, Argus is concerned by the increasingly vague use of the word "systemic" and considers it an inappropriate reference in the context of a consultation regarding PRAs.

The underlying assumption behind many of the questions in the IOSCO consultation is that the activities of PRAs pose systemic risk to the global financial system and the world economy. It should be noted that there has never been any financial system collapse related to the activities of a PRA or any credible evidence to suggest that this is remotely possible.

If a PRA were to close, there would be no global collapse of the financial system or world economy. As noted above, there is healthy competition among the PRAs and the oil industry has demonstrated in the past that it has the ability to substitute prices from one PRA for another. Argus notes that the ISDA has standard default procedures in its swap settlement contracts that deal with the non-appearance of a PRA index and usually name another PRA in the agreed fall-back procedure.

In contrast to financial markets, a key point regarding oil markets is that all trading is underpinned by an asset with tangible value — physical oil. This means that when a market participant becomes insolvent, there is no systemic impact on the financial system, because the participant's underlying physical assets, such as oil in storage and infrastructure, can be acquired by other companies. The recent insolvency of Petroplus in Europe has not triggered a systemic financial collapse, nor did the declaration of Chapter 11 by SemGroup in 2008.

Even the collapses of Lehman Brothers and Bear Stearns in 2008, both of which had a presence in energy markets and many of whose counterparties and creditors were active in energy markets, had no discernible impact on the physical supply of oil through the markets or the ability of PRAs to discover oil prices. These corporate collapses had massive implications for financial markets and the world economy, revealing severe systemic risk, but the physical oil markets and related derivatives markets continued to perform effectively despite increased volatility and counterparty risk concerns in the wake of the financial crisis.

Changes in oil prices are caused by market fundamentals not PRAs
No conclusive evidence exists that financial market investment distorts oil prices (*see Appendix IV for independent reports on speculation, volatility and oil prices*). On the other hand, it is clear that changes in oil prices, such as rising prices in 2004 to mid-2008, the price fall in late 2008, and today's increase in oil prices, are caused by fundamental supply and demand dynamics. A paper by Adair Turner, Jon Farrimond and Jonathan Hill of the UK's FSA notes: "Taking all the evidence into account, the reasonable conclusion is that across most of 2003 to 2010, price movements were directionally explicable by changes in fundamentals."[3]

The latest run-up in oil prices, in 2012, can be explained by a shortfall in oil supply from South Sudan, the North Sea, Yemen, Syria, Libya and Nigeria. Political factors such as sanctions on Iran have exacerbated the shortfall in supply and added an element of risk to future supplies, which carries a market

[3] The Oil Trading Markets, 2003–2010: Analysis of market behaviour and possible policy responses, OIES, April 2011, p37

premium. At the same time, demand in Japan following the Fukushima disaster and in China, India and the Middle East continues to rise.

The market price of oil reflects the impact of these changes in supply and demand patterns. As PRAs report the market price, PRAs could not have and have not contributed to the underlying causes of the price rise.

The way forward: An IPRO Code

For many years, Argus has supported the adoption of best practices intended to ensure that price reporting is performed in a professional manner and that published oil prices are reliable and gain the confidence of market participants and stakeholders. Over time, Argus has adopted increasingly stringent standards of corporate governance, ethical conduct of staff, transparency of price reporting methodologies and formal independent review of compliance with stated methodologies.

These efforts are part of a process of continual improvement in Argus' standards of accountability and governance. Argus recently adopted a formal complaints procedure and consolidated oversight of the compliance responsibilities in the role of a Global Compliance Officer.

As part of this process, Argus has worked with other PRAs to propose an Independent Price Reporting Organisation (IPRO) Code that seeks to promote high professional standards for price reporting organisations. The Code requires that good corporate governance be achieved by all IPROs through meeting the Code's standards (*see Appendix I*).

Conclusion

In summary, Argus does not consider that regulation of PRAs is justified or practical and considers that regulation would potentially:

- damage existing competition within the PRA sector, in the long term impacting on the quality and choice of price reporting services and, paradoxically, precluding market participants from switching between PRAs;
- impact on the current orderly functioning of oil markets, many of which are highly illiquid.

As regards corporate governance and best practice, Argus considers that any reassurance, if needed, can be offered more appropriately and efficiently through the adoption of the proposed IPRO Code.

Functioning and Oversight of Oil Price Reporting Agencies

Argus' response to IOSCO Consultation Report

Executive summary

Argus is a provider of PRA services. Its responses to IOSCO's consultation report can be summarised as follows.

Impact of PRA benchmark prices on physical and financial markets

- PRAs provide important transparency to oil markets that would otherwise remain opaque
- PRA prices are used in physical oil contracts, supply operations and commodity derivatives

Significance of methodologies used by PRAs

- Argus methodologies seek to reflect trading practices
- Argus' methodological processes can have a beneficial impact on markets as they can help standardise trading and encourage liquidity
- Argus does not exclude market participants from the assessment process
- PRAs have no systemic impact, although oil prices are important to the economy
- Producers and producer groups affect the level of oil prices through their production policies
- Consumer governments affect the level of oil prices through policies impacting demand
- Argus establishes methodologies in consultation with market participants, making choices between a range of equally valid options
- Argus methodologies are transparent and freely published
- Argus has established procedures to address questions about methodologies
- Argus' approach is designed to be responsive and proactive in meeting market needs

Impact of voluntary reporting to PRAs

- Argus believes that any potential risks to price discovery in oil markets arising from voluntary reporting are mitigated by transparency
- Reliable transaction-based price discovery does not require the reporting of all transactions
- Argus supports initiatives to encourage market participants to report information to PRAs
- Not all Argus methodologies are transaction based
- Argus proactively engages with market participants in pursuit of transparency
- A low number of transactions would pose a risk only if it is assumed that the price assessment process is based only on transactions

- Argus believes that it is preferable for the market to be presented with a range of methodological approaches from competing PRAs
- In price assessments based on transactions, Argus methodologies specify procedures if the number of transactions falls below a stated level
- A transaction-based approach is not appropriate in all markets

Accountability of PRAs
- Argus is not aware of any evidence regarding complaints about its accountability
- The proposed voluntary Price Reporting Code for Independent Price Reporting Organisations (the IPRO Code) builds on Argus' adoption of best practices to ensure accountability
- PRAs are already accountable
- Argus' operations are transparent and it is not aware of any specific failures
- Argus maintains robust internal controls and safeguards

Governance of PRAs — Ownership
- Ownership of Argus by market participants would be impossible under the company's governing articles and would not be accepted by the oil industry
- It would be incompatible for a PRA to be owned by its users and at the same time to be a signatory of the IPRO Code

Governance of PRAs — Board structure
- Argus is committed to high standards of corporate governance
- Argus has a clearly defined management structure with transparent lines of reporting and consistent allocation of authority and responsibility
- The proposed IPRO Code builds on Argus' adoption of best practice in corporate governance and provides the most appropriate mechanism for ensuring good corporate governance of PRAs
- Argus is a media organisation that reports on wholesale energy markets
- Comparing PRAs with financial entities is not appropriate as the functions performed by PRAs are distinct from those performed by financial entities

Governance of PRAs — Systems and controls over methodologies and internal policies
- Argus is not aware of any specific failures regarding its systems and controls with respect to the integrity of the processes it uses to identify prevailing market price levels
- Argus operates a rigorous and transparent controls framework to ensure the integrity of its price reporting activities
- The proposed IPRO Code, and strong and effective competition between PRAs provide the most effective and appropriate mechanisms for ensuring the integrity of PRAs' price reporting processes
- Argus has considerable expertise regarding physical oil benchmark methodology controls that an external authority would not match

- An external authority could delay a PRA's response to changes in the market, undermining appropriate flexibility in methodologies and creating the risk of disorderly oil markets
- The proposed IPRO Code, and strong and effective competition between PRAs provide the most effective and appropriate mechanisms of systems and controls for PRAs
- Under the proposed IPRO Code, PRAs are committed to an independent audit of compliance with the entirety of the IPRO Code on a periodic basis

Governance of PRAs — Complaints handling

- Argus has a formal complaints handling procedure with respect to market reporting
- Argus is committed to ensuring prompt and fair handling of any market-related complaint
- Argus does not support extending the role of any third party to ruling on matters that pertain to PRA price reporting methodologies
- Argus is concerned about substantial risks posed to the proper and orderly functioning of oil markets by allowing a third party to rule on matters that pertain to PRA methodologies
- Argus is willing to make public all market-related complaints, their resolution and the rationale of the response

Governance of PRAs — Conflicts of interest

- Argus considers management of conflicts of interest to be a central part of its role as a PRA
- Argus clearly separates price reporting from other functions such as its commercial function

Competition aspects attached to the PRA sector

- Market participants' inertia is the main obstacle to the use of different price references
- Any argument that changing a price index is impossible cannot be sustained in the face of considerable evidence to the contrary
- Market participants are best placed to address any concerns over competition in the PRA sector
- Companies can choose to switch between PRA benchmarks and providers
- Governments can play a role in encouraging competition in the PRA sector
- Any initiative that encourages an increase in open oil trading and in the flow of information between oil market participants and PRAs would enhance price discovery

Stakeholder representation

- We have no evidence of complaints regarding stakeholder views and representation with respect to Argus

- Forums exist, and additional forums can be created by the industry, to discuss oil market assessment processes
- The terms of reference for any oil industry forums should be for the industry to decide
- The terms of reference for any forums organised by Argus would be determined by Argus
- Oversight by an external authority of such a process risks unintentionally reducing competition in oil price benchmarks

Options for oversight

- If required, Argus believes that self-regulation is the appropriate model for oversight of PRAs
- Argus does not believe there is a public policy justification for additional direct regulation of PRAs
- A self-regulated code of conduct is appropriate if risks and concerns are identified
- Argus is committed to a voluntary IPRO Code
- Argus would welcome an independent review by market authorities of the IPRO Code
- Recommendations for oversight beyond the IPRO Code would be unjustified (by evidence and on any other public policy grounds), disproportionate and ineffective
- Bad regulation could inject systemic risk where none exists today
- Market authorities should already focus on price indexes used in the design of commodity derivatives contracts under existing IOSCO methodologies and principles
- Argus is concerned that perceived problems regarding wider derivatives markets may lead to inappropriate recommendations for direct regulation in relation to PRAs and even physical oil markets themselves
- IOSCO has already developed principles for indexes used in derivatives contracts
- Relevant authorities would be ill-advised to move from these principles to a set of specific criteria for physical oil benchmark suitability

Functioning and Oversight of Oil Price Reporting Agencies

Argus' response to IOSCO Consultation Report Questions 1-31

Impact of Oil PRA Benchmark Prices on physical and financial markets

Q1 Are you or your company currently subscribers to the services of PRA(s)? If so, how would you rate the overall quality of the work being carried out by the PRA(s)?

No. Argus is a provider of PRA services rather than a subscriber.

Q2 Please provide information on the impact of PRAs on physical oil and oil derivatives markets. Please support your comments with data on the volume and value of the related physical oil and oil derivatives business you are aware of, which is dependent on PRA benchmark prices (where possible broken down into the following categories: OTC; OTC cleared; or exchange-traded)

Summary

- PRAs provide important transparency to oil markets that would otherwise remain opaque
- PRA prices are used in physical oil contracts, supply operations and commodity derivatives

PRAs have an important positive role in supporting the efficient and effective functioning of physical oil markets and therefore oil derivatives markets.

PRAs provide market transparency, enabling prices to be identified in hundreds of physical oil markets that would otherwise remain opaque. PRAs help level the playing field between participants in the physical oil markets by providing access on standard subscription terms to market price information.

Spot market price assessments published by PRAs permit physical supply contracts to be negotiated that link prices to spot market prices of physical oils. PRA published prices support a wide range of oil supply chain activity, including operational scheduling, commercial analysis, performance measurement and investment planning.

For commodity derivatives, spot market price assessments published by PRAs provide a robust link to the underlying physical commodity, thereby ensuring derivative convergence with the underlying spot market as required by IOSCO guidelines.[4]

[4] Principles for the Regulation and Supervision of Commodity Derivatives Markets, IOSCO, September 2011

Spot oil market price assessments published by PRAs have enabled innovation of a wide range of risk management products for crude oil grades and refined products in OTC and OTC cleared markets. Without the availability of these hedging instruments, risk and cost would be greater for market participants.

Argus reports on physical oil markets, and suggests that data on the volume and value of related OTC, OTC cleared and exchange-traded contracts need to be provided by market participants, brokers, clearing houses and exchanges, rather than by a PRA such as Argus.

Significance of Methodologies Used by PRAs

Q3 What are the impacts of PRA processes on oil trading markets, physical and/or derivatives? In your answer please comment on the quality of PRA processes, their strengths, as well as the potential impacts of any perceived weaknesses.

Summary

- Argus methodologies seek to reflect trading practices
- Argus' methodological processes can have a beneficial impact on markets as they can help standardise trading and encourage liquidity
- Argus does not exclude market participants from the assessment process

PRAs do not set oil prices — the market does this. Argus identifies oil prices that are determined by the market through methodologies that seek to reflect oil trading practices. Identifying prices has a positive impact by bringing transparency to oil markets and helping them operate more effectively. Decisions that PRAs make on questions such as the specifications, timings, delivery options and locations in methodologies for price assessment can have a positive impact on market practice. Once a PRA has started to publish a price assessment for a particular grade of oil, wider industry acceptance may coalesce around this price series. This confidence in a physical price index can encourage further trading. Contracts for physical supply can be written that reference the price assessment. Wide acceptance by the industry of the price assessment in physical contracts may lead to a requirement for hedging. At that point, the price assessment can be deemed a benchmark that can be used as the underlying price to settle derivatives contracts.

The Consultation Report describes a PRA deciding "to exclude a particular participant from its assessment process" and discusses the impact of this on the market. Argus methodologies do not include the idea of the exclusion of participants from the assessment process. Argus does not accept that it is "logical… to exclude certain counterparties from the PRA price series", despite this activity being attributed in the Consultation Report to PRAs generally. It follows therefore that the impact of such exclusions cannot be a consequence of Argus' processes.

The Consultation Report states that PRAs impose market methodologies, "that is, traders who wish their transactions to be included in an assessment methodology must deal in a manner and time that meets the particular methodology." Argus' methodological process is not guided by creating stringent requirements regarding the time of day or manner in which traders should carry out their transactions. However, where the market has chosen to focus transactional activity at specific times, Argus reflects this trading practice in its methodologies.

Q4 Do you consider PRAs to have potential systemic impact on the financial system? Please give reasons for your answers.

Summary

- PRAs have no systemic impact, although oil prices are important to the economy
- Producers and producer groups affect the level of oil prices through their production policies
- Consumer governments affect the level of oil prices through policies impacting demand

Oil prices are important to the global economy, but PRAs are not responsible for setting physical price levels. The market does this. Argus seeks to publish prices that are representative of fair market value, and its price series are tested in the market place by market participants who are able to decide whether they are representative. Thus, Argus does not consider that PRAs or the services they provide can have potential systemic impact on financial markets.

It is the major producers and producer groups that have a significant role in terms of the level of oil prices. If a major producer or producer group voluntarily or involuntarily reduces or stops production, this has a direct effect on oil prices. Similarly, policy decisions by large consumer governments may affect demand and, therefore, the level of oil prices. Governments may influence demand through promoting refinery construction, through investment decisions related to state-run infrastructure, and through state-set retail prices, with all of these factors contributing to rapid Chinese oil consumption growth in the last 10 years. Policies on retail fuel tax and environmental issues also affect demand.

Further, in the event of any PRA failure, physical and derivative oil contracts have fallback clauses providing for another PRA's assessments to be used in the event of a PRA not publishing, and further fallback clauses beyond this[5]. Article

[5] See for example standard master documentation:
Article VII of the 2005 ISDA Commodity Definitions for use with the ISDA Master Agreement

VII of ISDA's 2005 Commodity Definitions has specific fallback provisions in relation to "calculation of prices for commodity reference prices".

Moreover, in contrast to financial markets, trading in oil markets is underpinned by an asset with tangible value — physical oil. This means that when a market participant becomes insolvent, there is no systemic impact on the financial system because the participant's underlying physical assets, such as oil in storage and infrastructure, can be acquired by other companies. For example, the recent insolvency of oil refiner Petroplus in Europe has not triggered a systemic financial collapse.

Argus also wishes to make clear that it has no similarities to credit rating agencies (CRAs). Argus produces daily numerical price assessments that can be verified by the market immediately, rather than opinions in the form of ratings that are said to represent the risk of default in the future. Unlike CRAs, which seek to make forecasts, Argus' primary activity is reporting today's prices. In addition, Argus has a mix of buyers and sellers among its customers, and is not paid primarily by one side of the market, in direct contrast to the conflicted business model of CRAs, under which they are paid by issuers.

Q5 What are your views regarding PRA price methodologies, including your ability to identify methodological errors? Do you consider that mechanisms or procedures exist to address any such concerns and are they adequate? Have PRAs demonstrated responsiveness in updating their methodologies to reflect market development?

Summary

- Argus establishes methodologies in consultation with market participants, making choices between a range of equally valid options
- Argus methodologies are transparent and freely published
- Argus has established procedures to address questions about methodologies
- Argus' approach is designed to be responsive and proactive in meeting market needs

Oil is neither homogenous nor fungible. Physical oil markets trade a vast range of different crude oil grades and refined products that are not standard in specification, delivery method, volume or location. The heterogeneity of physical oil markets means that there is no single correct way to identify the prevailing price of each physical oil commodity.

In Argus' view, methodologies should be established in consultation with market participants and should take into account a range of equally valid approaches. Individual PRAs and market participants take different views on which

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Article 15 of the European Federation of Energy Traders' General Agreements for natural gas and power
Commercial clauses of individual commercial contracts are not generally in the public domain.

methodological approach is the most appropriate in each market. There is no "one size fits all" methodology in oil market price discovery.

The consultants' report into PRAs submitted to the international organisations (IOs) as part of the G20 process acknowledged that different methodological approaches are valid, stating: "It is apparent that the job performed by PRAs is complex and that there are significant differences among the approaches adopted by each to pricing issues. None of the approaches employed can be said with certainty to be more objectively correct than any other."[6]

Argus methodologies are transparent and freely published, enabling stakeholders to take a view on whether there is any error in terms of construction or application. The consultants' report for the IOs stated that Argus methodologies "are probably as transparent as they can be" and noted further that "companies that choose to price by reference to one PRA rather than another broadly know what they are getting from their chosen PRA." [7]

Argus' consultative approach in establishing methodologies is intended to make them as responsive as possible to any changes and developments in oil market practice. Methodologies can on occasion give rise to questions from market participants about their construction and application. Argus welcomes stakeholder feedback. In addition, Argus has clear complaints and compliance policies that are publicly available on its website. Argus seeks always to explain and justify its choices and to ensure that staff are comprehensively trained in and able to implement any chosen methodology.

Impact of voluntary reporting to PRAs

Q6 Does the voluntary reporting of transactions used in certain PRA assessments pose risks to the price assessment process? If so, how should these risks be mitigated? Would it be beneficial if reporting of transactions to PRAs were mandated (contractually or by legislation)?

Summary

- Argus believes that any potential risks to price discovery in oil markets arising from voluntary reporting are mitigated by transparency
- Reliable transaction-based price discovery does not require the reporting of all transactions
- Argus supports initiatives to encourage market participants to report information to PRAs
- Not all Argus methodologies are transaction based
- Argus proactively engages with market participants in pursuit of transparency

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[6] Report to IEF, IEA, OPEC and IOSCO by Liz Bossley and Dr John Gault - *Oil Price Reporting Agencies*
[7] Ibid

Argus supports the statement in the Consultation Report that “the reporting of legitimate transactions to PRAs brings beneficial transparency to market.”

Argus considers that transparency of methodologies and in the consistent application of the methodologies mitigates potential risk in the price discovery process. This transparency allows for immediate verification and challenge. Transparency rather than universality of transactional data is required for reliable price identification. Reliable transaction-based price discovery does not require the reporting of all transactions in a market, as long as sufficient transactions are reported to arrive at a representative final price assessment.

Argus supports any initiative by the authorities to encourage market participants to report more widely to PRAs on pre-trade and post-trade information in the interests of transparency. Argus notes that it would produce greater confidence in price discovery if regulators encouraged the reporting of transactions to PRAs by market participants. This would complement any price discovery process, even if the transactions were not themselves a crucial part of the process of price discovery. However, Argus cautions that a high volume of transactional data does not necessarily lead to a price assessment that is useful to market participants. Not all Argus methodologies are transaction based.

Argus notes that in many oil markets, information exchange is a bilateral activity, rather than a “participation” by one group in another’s process. In this context, Argus mitigates potential risks arising from any lack of reported market data by engaging with market participants and taking a proactive role in gathering information. Argus methodologies are specifically developed to be transparent, accurate and resistant to manipulation.

Finally, aspects of reporting by market participants are already considered in legislation and proposed legislation including, MAD, MiFID/MiFIR and REMIT in the EU and the Dodd-Frank Act in the US. Further, in respect of false and misleading reporting, oil market participants are subject to civil and criminal laws regarding fraud and manipulation in commodity trading.

Q7 Do low numbers of transactions used in certain PRA assessments pose risks to the price assessment process? If so, what crude grades and markets do you see affected by this? What is considered to be a ‘low’ number? How should any such risks be mitigated?

Summary

- A low number of transactions would pose a risk only if it is assumed that the price assessment process is based only on transactions
- Argus believes that it is preferable for the market to be presented with a range of methodological approaches from competing PRAs

A low number of transactions would pose a risk to the price assessment process only if it is assumed that this process should be based purely on transactional data as a matter of preference.

A low number of transactions is inevitable in many oil markets because specific grades of crude oil and refined products trade infrequently. For example, many oil markets trade only cargo-size contracts comprised of large tankers loading up to 2mn barrels of oil. In these cases, only a limited number of transactions may occur in a day (or less frequently). As a result, in these markets, Argus may use methodologies that are specifically designed to identify market value despite low levels of trading. These methodologies mitigate potential risks.

A low number of transactions only poses risks to a price assessment process that is based purely on transactions. Where Argus employs a transaction-based methodology, this will specify the minimum number of transactions required. And Argus states the alternative methodology that it will employ in the absence of the requisite minimum volume of trades.

As a result of the heterogeneous nature of oil markets, market participants often require a precisely defined price assessment. In order to achieve this, it may be necessary to exclude legitimate transactions if they do not meet the parameters of that particular methodology. For example, where Argus specifies that it will report the price of non-oxygenated gasoline, it will exclude transactions of oxygenated gasoline from the calculation of the assessment.

A key issue in price discovery in physical oil markets is the balance between tightly defining the assessment and increasing the number of pricing inputs. The precision of a benchmark must always be weighed against the volumetric liquidity behind it. A benchmark may be so narrowly defined that it represents insufficient volume, whereas a high-volume index may be so vague that it is of little value to the market. Determining such a balance in a methodology is a matter of skill and judgment. Argus believes that it is preferable for the market to be presented with a range of methodological approaches from competing PRAs, which allows any risk, perceived or real, to be mitigated. Arguably, this could not be achieved in the absence of a range of equally valid methodological approaches.

Q8 Taking account of existing PRA procedures to obtain information on which to base their assessment when no transactions have been submitted, are there any other approaches that may produce their benchmark prices in the absence of liquidity?

Summary

- In price assessments based on transactions, Argus methodologies specify procedures if the number of transactions falls below a stated level
- A transaction-based approach is not appropriate in all markets

As stated above, in some oil markets, transaction-based price discovery works well and provides a simple, easily understood and easily verifiable approach. Argus uses such methodologies extensively, but it also uses other approaches as a matter of course. The issue is not whether one methodological approach is better or worse, but which is appropriate for the specific oil market in question.

Argus is concerned by the apparent assumption that a purely transaction-based approach should be the first preference in all methodologies. In cases where Argus uses transaction-based price discovery processes, if the number of transactions falls below a stated level, Argus methodologies incorporate clearly explained procedures.

As noted earlier, the key issue in price discovery in physical oil markets is the balance between tightly defining the price assessment and increasing the number of pricing inputs. The precision of a benchmark must always be weighed against the volumetric liquidity behind it. A benchmark may be so narrowly defined that it represents insufficient volume, whereas a high-volume index may be so vague that it is of little value to the market. Determining such a balance in a methodology is a matter of skill and judgment. Argus believes that it is preferable for the market to be presented with a range of methodological approaches from competing PRAs, which allows any risk, perceived or real, to be mitigated. Arguably, this could not be achieved in the absence of a range of equally valid methodological approaches.

The Consultation Report states that "where there are no deals done the reporters must use their own judgment to interpolate, extrapolate and arrive at price assessments that the trading community would deem objectively reasonable." Argus wishes to make clear that the words "own judgment" in this context may be misleading as they could suggest that the assessment is based on insufficient market information. In fact, Argus reporters will follow Argus' stated methodology in using a process of logical deduction based on reliable market information that Argus has obtained.

Argus may specifically reject a transaction-based approach in favour of price identification through the application of price differentials to a leading price reference, where such an approach is preferred by the market. For example, Argus assesses the price of Dubai cargoes using the Ice Brent-Dubai exchange of futures for swaps (EFS) market (where Ice Brent is the price reference and the EFS market is Dubai's differential to that price) and inter-month Dubai spreads. This methodological process arrives at a reliable benchmark price by using market differentials that are readily available from and accepted by the market. It does not use individual judgment in the absence of information.

There are several valid approaches to price discovery for benchmark prices, which do not rely on transactional liquidity. These are set out in Argus' published methodologies.

Accountability of PRAs

Q9 Are there any issues regarding PRAs that concern you from a public accountability perspective?

Summary
- Argus is not aware of any evidence regarding complaints about its accountability
- The proposed voluntary Price Reporting Code for Independent Price Reporting Organisations (the IPRO Code) builds on Argus' adoption of best practices to ensure accountability

No-one has made a complaint to Argus regarding its public accountability and Argus is aware of no evidence that a specific complaint of this nature has ever been made about it. To the contrary, feedback has always indicated a high degree of confidence in Argus.

Argus Media notes that as a UK-incorporated privately-owned company, detailed information on its shareholders and financial accounts is publicly available. Argus Media's latest accounts and shareholder list are attached as Appendix VI and VII and can be directly accessed publicly at www.companieshouse.gov.uk.

For many years, Argus has sought to adopt best practice regarding accountability. The proposed Price Reporting Code for Independent Price Reporting Organisations (IPRO Code) — a draft of which is attached as Appendix I to this response — enshrines these principles and PRAs that adopt the IPRO Code must agree to maintain these high standards of accountability. In Argus' view, such best practices as embodied in the IPRO Code, as well as strong and effective competition between PRAs, provide the most effective and suitable mechanisms for ensuring appropriate accountability of PRAs.

Argus is not aware of any evidence of any failure of public accountability regarding Argus that would justify a recommendation of direct regulatory supervision. Nor does Argus consider direct regulatory supervision to be proportionate or appropriate.

Q10 Do you consider the function performed by PRAs to require a form of public oversight of PRAs? If so, which PRA activities should be subject to a form of public oversight and why?

Summary
- PRAs are already accountable
- Argus' operations are transparent and it is not aware of any specific failures
- Argus maintains robust internal controls and safeguards

As noted in the Consultation Report, PRAs are already accountable to public authorities as corporations. For example, they are subject to company law, contract law, libel law, intellectual property law and competition law, all of which amount to substantial public oversight of PRAs. In addition, PRA benchmarks are subject to regulatory review focusing on the integrity of any third-party index on which a derivatives contract is based.

Moreover, PRAs are accountable. Argus is made publicly accountable through competition and choice in the PRA sector. Companies may subscribe to Argus price reports and use them or they may switch to a different provider of indexation and end their subscription; there is no requirement to use Argus in pricing.

Argus operates in a transparent manner and has a reputation for providing high-quality independent price discovery services. Argus maintains a wide variety of internal checks, controls and safeguards to ensure transparency and robust price discovery processes. Argus is not aware of any specific failures in the functions that it performs and is concerned by the suggestion that PRAs should be regulated as if they are financial entities or in a manner equivalent to financial entities. As explained elsewhere in Argus' response, Argus is a publisher. Argus is not a financial entity and does not perform roles equivalent to regulated financial entities.

Argus considers that public oversight of methodology, whether relating to the construction or application of a methodology, could not and would not work. For example, this could result in Argus being required to publish a price (by a public oversight body) which in Argus' view did not conform to its methodology and which was therefore not representative of market value. This would be unsustainable and potentially destabilising to oil markets that are sometimes fragile and illiquid, since this would effectively result in Argus publishing an imposed price assessment that would generate uncertainty in the market. Any legitimate concerns about methodology can in Argus' view be most effectively dealt with through competition between pricing services, the ability of market participants to switch, and through proper complaints-handling procedures.

The proposed IPRO Code will provide reassurances, if needed, of Argus' continuing commitment to best practice, including in relation to accountability.

Governance of Oil PRAs — Ownership

Q11 Please detail any concerns you may have about current ownership of PRAs in particular with regard to possible conflicts of interest.

Summary

- Ownership of Argus by market participants would be impossible under the company's governing articles and would not be accepted by the oil industry
- It would be incompatible for a PRA to be owned by its users and at the same time to be a signatory of the IPRO Code

The preamble to this question states that "it is possible that a PRA may become owned by individuals or groups of its own customers or participants". While it may be possible for an independent PRA to be acquired by "its users", it is not probable and would not be sustainable. If a PRA were to lose its independence through ownership by a group of its users, it would find that its use by the rest of the market would suffer, because the oil industry would no longer view its assessments as independent and free from conflict of interest. For this reason, we do not think that this hypothetical outcome merits serious concern.

In Argus Media's case, ownership by market participants would be impossible under the company's governing articles. Under these articles, the Board authorises changes in shareholdings and current practice forbids external shareholders apart from the family of its founder. This means that only existing shareholders and the company buy shares that become available when an existing shareholder decides or is required to sell shares. The names of Argus Media's shareholders — which comprise only employees, non-executive directors, and members of the founder's family — are published and publicly available at UK Companies House. Argus is satisfied that it can reassure its customers and those carrying out the IOSCO consultation process about its independent ownership.

Of more serious concern is the ownership of other prices used as indexes or benchmarks that are not produced by independent price reporting companies. Examples of non-PRA indexes are those produced by oil companies, including state-owned entities; those produced by exchanges that are or have in the past been owned by market participants; and those produced by brokers (*see Appendix II for examples of non-PRA indexes*).

Argus' internal policies and the proposed IPRO Code address the independence of price reporting agencies and the importance of dealing with conflicts of interest. It would be incompatible for an IPRO to be owned by its users and at the same time to be a signatory of the Code.

Governance of Oil PRAs — Board Structure

Q12 Do you have any concerns regarding the current corporate governance standards of PRAs? If so, what are the improvements that you believe are needed?

Summary

- Argus is committed to high standards of corporate governance

- Argus has a clearly defined management structure with transparent lines of reporting and consistent allocation of authority and responsibility
- The proposed IPRO Code builds on Argus' adoption of best practice in corporate governance and provides the most appropriate mechanism for ensuring good corporate governance of PRAs

No-one has ever made a complaint to Argus regarding its standards of corporate governance and Argus is aware of no evidence that a specific complaint of this nature has ever been made about it. To the contrary, feedback has always indicated a high degree of confidence in Argus.

Argus has consistently maintained the highest standards of corporate governance. Argus has an eight-person Board of Directors, half of whom are independent non-executive directors. A non-executive board member chairs the company's Global Compliance Committee (GCC).

Argus has an experienced, stable and well-qualified management team, details of which are on the company's website. The company is conservatively managed. Argus has no debt and all shareholders are either employees, non-executive directors or family of the company's founder.

Argus operates a rigorous and transparent controls framework to ensure the integrity of its price reporting activities, overseen by the GCC. Argus' global compliance policy is publicly available on the company's website and includes an ethics policy and a business continuity plan. The company's Global Compliance Officer, reporting to the Chief Financial Officer, carries out a rolling programme of internal audits to verify compliance with stated methodologies and policies. Staffing and training are a company priority, and Argus is accredited by the UK government's Investors in People programme. The company has twice been awarded the Queen's Award for Enterprise. The company's financial accounts are audited annually, currently by Deloitte.

Argus has for many years sought to adopt best practice regarding corporate governance. This best practice is now codified in the proposed IPRO Code. In Argus' view, the IPRO Code provides the most effective and appropriate mechanism for ensuring good corporate governance of PRAs. Under the IPRO Code, Argus is committed to meeting a standard stating that it "shall maintain robust governance arrangements, including a clearly defined management structure with transparent lines of reporting and consistent allocation of authority and responsibility". This standard on governance is supported by five guidelines which provide further guidance on how Argus and other code signatories will maintain and demonstrate appropriate high standards of corporate governance (*see Appendix I for the draft IPRO Code in full*).

Argus is not aware of evidence of any failure regarding corporate governance of the company which would justify a recommendation of direct regulatory supervision. Nor does Argus consider direct regulatory supervision to be proportionate or appropriate. To the contrary, Argus believes that the proposed IPRO Code provides the most effective and suitable means for ensuring corporate governance and in this context providing additional public reassurance.

Q13 Do PRAs need to be subject to standards of corporate governance that are equivalent to the standards to which regulated financial entities are subject? Please elaborate.

Summary

- Argus is a media organisation that reports on wholesale energy markets
- Comparing PRAs with financial entities is not appropriate as the functions performed by PRAs are distinct from those performed by financial entities

Argus is a media organisation that reports on wholesale energy markets. Argus therefore considers that comparison with the regulation of financial entities is misguided.

Regulations adopted for financial entities are generally intended to protect clients of such institutions as well as the economy as a whole. Regulated financial entities often handle client funds or take actions on clients' behalf. The regulatory structures applied to these institutions are intended to protect clients from abuses by these institutions, including misappropriation of funds, violations of trading regulations and other inappropriate conduct.

Banking and other financial regulations are also intended to prevent bankruptcies and bank failures that might cause financial contagion as well as require public money for recapitalisations and to cover obligations towards investors or depositors.

Other regulated financial entities include trading platforms, clearing houses, financial intermediaries and credit rating agencies. But Argus does not operate a trading platform, nor is it a broker, clearing house or financial market participant. Argus is highly distinct from credit rating agencies, as stated in its response to Q4. Nor does Argus operate a platform for receiving regulated shares-related information 24 hours a day, seven days a week for public dissemination.

At no time does Argus ever act on clients' behalf or handle funds that belong to clients. Therefore, there is no potential for the abuses that financial markets regulations are intended to prevent.

Argus provides pricing data for participants in wholesale and bulk oil markets. It is a subscriptions business. PRAs operate in a competitive market and clients that are not satisfied with the services provided by one have the option to switch to one or more other PRAs.

Moreover, the services provided by Argus do not in any way threaten the stability of financial institutions. The imposition of regulations similar to those covering financial institutions on PRAs would therefore be inappropriate.

IOSCO should also be mindful that the physical oil markets on which PRAs report are traded entirely by professional corporate entities. Retail investors do not participate in physical oil markets and are not therefore directly exposed to prices in these markets reported by PRAs.

As stated above, Argus has consistently sought to adopt best practice regarding corporate governance, so that many corporate governance standards overseen by regulators in the case of regulated financial entities are already in place. For example, Argus feels able to demonstrate that its governing board has sufficient experience and skills to direct the company and includes independent, non-executive directors knowledgeable in the industries on which Argus reports.

As noted above, Argus' best practice regarding corporate governance, now codified in the proposed IPRO Code, in Argus' view provides the most effective and appropriate mechanism for maintaining and ensuring the proper corporate governance of PRAs.

Governance of Oil PRAs — Systems and controls over methodologies and internal policies

Q14 Do you have any concerns as to the robustness of the systems and controls in place at PRAs as they relate to the integrity of the processes used to construct price series or indices? Please explain.

Summary

- Argus is not aware of any specific failures regarding its systems and controls with respect to the integrity of the processes it uses to identify prevailing market price levels
- Argus operates a rigorous and transparent controls framework to ensure the integrity of its price reporting activities
- The proposed IPRO Code, and strong and effective competition between PRAs provide the most effective and appropriate mechanisms for ensuring the integrity of PRAs' price reporting processes

No-one has ever made a complaint to Argus regarding the robustness of the systems and controls in place at Argus as they relate to the integrity of the processes it uses to identify prevailing market price levels and publish price series. To the contrary, feedback has always indicated a high degree of confidence in Argus.

Argus operates a rigorous and transparent controls framework to ensure the integrity of its price reporting activities. Price reporting at Argus is governed by detailed transparent methodology documents, which are publicly available on its website. The company's methodological approach is to provide representative, verifiable and repeatable price discovery. Argus methodologies are specifically developed to be transparent, accurate and resistant to manipulation. They are tailored for each market, given that each physical oil market presents unique characteristics.

Compliance with these published methodologies is monitored continuously and is subject to periodic internal audits conducted by a Global Compliance Officer. These audits are conducted on site at Argus' major global offices. Audits focus on compliance with stated methodologies, record-keeping requirements and the integrity of the price reporting process in general. The Global Compliance Officer reports on the finding of each audit to the Global Compliance Committee of the Board of Directors. This committee is chaired by a non-executive director.

Argus has clear policies and procedures for methodology changes and corrections to published prices. Argus places a high priority on listening to and consulting with industry and wider stakeholders in developing its methodologies. Argus aims to reflect existing market structures in developing price discovery methodologies, rather than imposing new structures on the market.

The main validation of any PRA's assessments is in the credibility of the published price series. Simply put, if the price assessment is not considered credible by market participants, companies will not subscribe to a PRA's services and will not use its published prices in their commercial contracts or business operations.

PRA subscribers constitute both sides of the market (ie the buy side and the sell side), since for any contract that references a PRA assessment, both buyer and seller will require a subscription to that PRA's service. Because subscribers are on both sides of the market, this provides a robust validation of the integrity of the assessments. Since there is a strong and competitive PRA marketplace, industry can — and in Argus' view should always be free to — move to an alternative index or methodology if the published price is not credible and does not carry confidence.

Argus has for many years sought to adopt best practice regarding robust systems and controls. This best practice is now codified in the proposed IPRO Code. In Argus' view, the proposed IPRO Code, and strong and effective competition between PRAs provide the most effective and appropriate mechanisms for ensuring the integrity of PRAs' price reporting processes.

Under the proposed IPRO Code, Argus is committed to meeting four specific standards with respect to the integrity and transparency of the price reporting process. These are standards 3A, 3B, 3C and 3D. In addition, the proposed IPRO Code provides two standards in relation to non-discriminatory participation and data collection processes (4A and 4B); standards in relation to timely publication of price assessments and corrections (5A and 5C); a standard on methodology modifications (5B); and standards in relation to monitoring and detecting non-representative transaction data in connection with price discovery (6A and 6B). *Please refer to Appendix I for the full text of each of these standards.*

Argus is not aware of any evidence of any failure regarding Argus' systems and controls which would justify a recommendation of direct regulatory supervision related to the integrity of Argus' price reporting processes. Nor does Argus consider such a recommendation to be proportionate or appropriate. To the contrary, Argus believes the proposed IPRO Code provides the most effective and appropriate means for demonstrating high standards and in this context providing additional public reassurance.

Q15 Which authority, if any, should establish a set of principles for the appropriate level of systems and controls within a PRA and in particular as they relate to PRA benchmark methodologies? Would this sufficiently address any concerns you may have and, if so, how?

Summary
- Argus has considerable expertise regarding physical oil benchmark methodology controls that an external authority would not match
- An external authority could delay a PRA's response to changes in the market, undermining appropriate flexibility in methodologies and creating the risk of disorderly oil markets
- The proposed IPRO Code, and strong and effective competition between PRAs provide the most effective and appropriate mechanisms of systems and controls for PRAs

Argus' systems and controls related to methodologies have been drawn up by experienced and professional experts with deep understanding of price identification in physical oil markets. These professionals consult widely with industry and other stakeholders. No external authority would be able to match the level of expertise necessary to devise principles for systems and controls regarding PRA methodologies.

As physical oil contracts are not standardised financial instruments, comparisons between systems and controls at regulated trading platforms and those at PRAs are inappropriate. Principles for systems and controls regarding PRA methodologies need to take into account the heterogeneous nature of physical oil markets. Argus takes non-standard market information and normalises it to the extent that a market price may be identified from it. Any imposition of inappropriate controls by outside authorities would risk undermining the proper implementation of methodologies which, in turn, could lead to the disorderly functioning of oil markets.

Principles on systems and controls related to methodologies must accommodate rapid change and innovation in physical oil market trading. Argus responds to changes in the basis of trade in an oil market by updating its relevant methodology. Potential administrative delays on the part of an external authority could leave physical oil markets without an appropriate methodology which, in turn, could lead to the disorderly functioning of the markets. Administrative delays could therefore introduce systemic risk where none exists today. Without turning to experts employed by PRAs, an external authority would not know either when or how to adopt its mandated methodology to account for changes in the market.

Argus has codified its experience regarding standards and guidelines relating to methodologies in the proposed IPRO Code. In Argus' view, if adopted, the IPRO Code, drawn up by experts in oil market price reporting, would provide effective and appropriate means for demonstrating high standards in the integrity and transparency of the price reporting process.

Q16 Should PRAs as a general matter be subject to a specified external audit of individual operations or processes, the results of which could be published demonstrating standards of compliance with relevant rules? Would PRAs need to be held to account for such an audit and, if so, which organisations would be best placed to carry out such an audit? What are the benefits and risks?

Summary

- Under the proposed IPRO Code, PRAs are committed to an independent audit of compliance with the entirety of the IPRO Code on a periodic basis

Argus believes the proposed IPRO Code provides the most appropriate, proportionate and effective form of external or independent validation. Under the proposed IPRO Code, PRAs will commit to auditing of their compliance with the entirety of the IPRO Code by an internationally recognised audit firm or an independent internal audit group within their corporate organisation on a periodic basis. The results of each independent audit will be made public within 30 days.

Governance of Oil PRAs — Complaints handling

Q17 Should PRAs be required to incorporate into their rules, if absent, a formal complaints procedure. If so, please explain what would be your preference in terms of procedure or process?

Summary

- Argus has a formal complaints handling procedure with respect to market reporting
- Argus is committed to ensuring prompt and fair handling of any market-related complaint

Argus has a formal complaints handling procedure with respect to market reporting, freely published on the company's website in the Argus Global Compliance Policy. The procedure is overseen by the independent non-executive director who chairs the company's Global Compliance Committee.

Argus notes that no complaint under this procedure has yet been received. Argus has always addressed queries or complaints from market participants promptly, openly and fairly. The complaints procedure has codified existing practice. A further codification of existing practice is found in the proposed IPRO Code, which requires signatories to comply with a specific standard (7A) and three associated guidelines to ensure prompt and fair handling of any complaint.

Q18 Should disputes be resolved by an appropriate third party as a matter of course? Please explain the benefits and risks.

Summary

- Argus does not support extending the role of any third party to ruling on matters that pertain to PRA price reporting methodologies
- Argus is concerned about substantial risks posed to the proper and orderly functioning of oil markets by allowing a third party to rule on matters that pertain to PRA methodologies

As stated above, Argus has a formal complaints handling procedure.

Argus lacks confidence in any third party's competence to rule on matters that pertain to Argus price reporting methodologies. If a third party ruled that a complaint about an Argus price series should be sustained, but Argus believed that the third-party ruling imposed an inappropriate methodology or the misapplication of a methodology, Argus would then be producing a price series in which it had no confidence and which would therefore not be sustainable.

Argus would be placed in a compromising position if it had to promote, explain and implement any third-party imposed methodology which it regarded as damaging to Argus' reputation. Argus is acutely aware of the substantial risks posed to the proper and orderly functioning of oil markets by allowing a third party to rule on matters that pertain to Argus price reporting methodologies.

Q19 Should such a formal complaints procedure necessitate greater transparency in the handling and resolution of complaints by PRAs, for example by requiring transparency of the complaints process and publication of decisions and the rationale for them?

Summary
- Argus is willing to make public all market-related complaints, their resolution and the rationale of the response

As stated above, Argus has a formal complaints handling procedure.

Argus is willing to make public all market-related complaints received and the final decisions regarding such complaints including the rationale of the response. Argus strongly supports such transparency and in that context is disappointed to note that the current IOSCO consultation permits anonymous responses to be made.

Governance of Oil PRAs — Conflicts of interest

Q20 Please describe concerns you may have relating to potential conflicts of interests affecting PRAs arising from revenue generation, media reporting, internal staff management or any other source. Has this had any impact on the price reporting function of PRAs and if so how?

Summary
- Argus considers management of conflicts of interest to be a central part of its role as a PRA
- Argus clearly separates price reporting from other functions such as its commercial function

No-one has ever made a complaint to Argus relating to potential conflicts of interest and it is aware of no evidence that a specific complaint of this nature has ever been made about Argus. To the contrary, feedback has always indicated a high degree of confidence in Argus.

Argus considers conflict of interest management as central to its role as an independent price reporting organisation. The company has a range of policies, processes and procedures in place to identify, manage and mitigate any conflicts of interest that may arise in its business.

For example, all staff are required to declare in writing on joining the shareholdings of any energy company that they may own. During their employment, staff are not allowed to deal in such shares nor change their shareholdings. The company does not permit staff to trade in any commodity for which Argus produces price assessments or reports. This applies to trading in physical commodity markets, derivatives and any related instrument or investment vehicles that are tied to any commodity quoted by Argus. Staff are forbidden from accepting gifts of a value greater than UK £50 (US $80) and gifts of lesser value must be registered.

Argus maintains a clear separation between price reporting and sales. All commercial negotiations regarding subscriptions to Argus publications are dealt with by the company’s sales and commercial staff. Price reporting staff do not participate in these negotiations, nor do commercial staff participate in price reporting activities.

The preamble to this question states that “stakeholders can only offer limited challenge as these methodologies are not externally audited.” While compliance with methodologies may be verified, Argus believes that the content of methodologies should not be a matter for external audit regarding conflicts of interest. As stated in answer to Q11, above, “ownership by users” of Argus Media would be impossible given current practice and procedures under the company’s governing articles.

The preamble states that “it is possible that in certain business segments revenue from subscribers is concentrated amongst a relatively small number of users who themselves submit the transaction information on which price assessments are based” and argues that this “could be a source of commercial pressure”. Revenues for Argus market reports are spread widely across a significant number and range of companies on the buy side and the sell side. Customers thus have a diverse range of interests in oil prices, margins and differentials.

Regarding media reporting, Argus is unaware of a single case in 40 years of experience in which Argus has “come into possession of information which could influence the price assessment process and cause it to depart from its published methodology”. Compliance systems are in place to ensure that departure from the methodology does not occur. Editors of Argus’ analytical business intelligence reports do not participate in price reporting activities.

Competition aspects attached to the PRA sector

Q21 Are there any undue obstacles that prevent market participants from adopting different sources for price references? Please explain.

Summary

- Market participants’ inertia is the main obstacle to the use of different price references
- Any argument that changing a price index is impossible cannot be sustained in the face of considerable evidence to the contrary

The main obstacle to the industry using different sources for price referencing is market participants' own inertia. The reasons given by some stakeholders for persisting with incumbent benchmarks in oil markets include the alleged impracticality and cost of switching to another provider of information, and the problem of basis risk. Some companies say that any such switch must be carried out "en masse" by the bulk of the industry to mitigate basis risk and to avoid confusion in the market over which benchmark is to be used. Yet these same companies then claim that it is not possible to move price indexation "en masse" owing to concerns over allegations of collusion.

These arguments, however, are unsustainable given the recent history of price indexation in oil markets, which provides many examples of market participants switching price references. Basis risk may be hedged using derivative instruments such as swaps (including cleared swaps) that offset one price against another. Indexation has moved between price reference sources in too many cases to list comprehensively. Examples that show how perceived obstacles to switches in price indexation have been overcome include:

- the current move away from APPI Tapis to Platts Dated Brent as a benchmark in Asia-Pacific crude;
- Saudi Aramco's switch from Platts Dated Brent for crude sales to Europe from April 2000 to IPE (now ICE) Bwave;
- the LPG markets' move from Platts weekly indexation to benchmarking using daily Argus prices from 1993;
- the move by US clean oil products markets throughout the downstream value chain east of the Rockies to Argus over the past five years;
- the switch from Platts WTI to the Argus Sour Crude Index (ASCI) benchmark for US refiner supplies from Middle East crude exporters from January 2010;
- the switch in gasoline indexation to Argus in Europe in 2003; and
- the move in the Benelux (Belgium, the Netherlands and Luxembourg) downstream oil sector from the use of Platts to Argus prices for refined oil products benchmarking. The Belgian government switched after selecting Argus in an open tender in autumn 2009 to supply it with prices to use in its maximum retail price formulas (*see Appendix III for more details*).

Q22 If so, does this constitute a competitive concern for either individual PRA benchmarks or the PRA sector as a whole? Where appropriate, please refer to specific benchmarks.

Summary

- Market participants are best placed to address any concerns over competition in the PRA sector
- Companies can choose to switch between PRA benchmarks and providers

Questions about competitive concerns in PRA benchmarks or the PRA sector as a whole can be better dealt with by companies that participate in oil markets than by addressing the functioning and oversight of PRAs. Companies have a choice over whether to stay with benchmarks that they find unsatisfactory, or to switch. This is shown by the fact that companies have moved away from many benchmarks in recent years — for instance, APPI Tapis, Platts Dated Brent to ICE Bwave, Platts gasoline in northwest Europe, Platts WTI for sour crude delivered to the US, Platts US gasoline and middle distillates, and Platts liquefied petroleum gas.

Market participants themselves have the answer to competitive concerns — the choices are available if they want to make them. In some cases, market participants may choose to combine one or more price references to create a basket of prices from different PRAs — as is the case with many Middle East product export contracts and the international jet fuel markets.

One market that has been the focus of previous scrutiny is the North Sea crude market. Platts Dated Brent is a leading benchmark but Platts is not the only PRA used in pricing in this market. Other PRAs, including Argus, are used to price physical oil, in the calculation of tax and as a provider of underlying price information for the ICE cash-settled Brent futures contract.

Q23 If you have concerns about competition relating either to individual PRAs or to the PRA sector or around individual benchmarks, please comment on how you think these could be addressed.

Summary

- Governments can play a role in encouraging competition in the PRA sector
- Any initiative that encourages an increase in open oil trading and in the flow of information between oil market participants and PRAs would enhance price discovery

Government authorities should encourage competition by broadening the number of PRAs used in the provision of price assessments for tax and royalty calculations, in production-sharing contracts and in other such agreements. For example, the UK tax authorities currently consider price assessments from several PRAs and drop any PRA for a period if that PRA's methodology temporarily fails to reflect the market conditions required for tax assessment purposes.

G20 governments could further promote competition by encouraging state-controlled companies to increase the number of PRAs used to provide price benchmarks in their long-term contracts. Furthermore, governments could promote an increase in open spot market trading by encouraging state-controlled oil companies to sell a greater proportion of their output in the spot market free of destination restrictions. Such sales would enhance spot market price discovery by PRAs and increase public confidence in the market price of oil.

By encouraging more open trading and an increase in the flow of information between market participants and PRAs, governments and state-owned entities would enhance the integrity of the price discovery processes by promoting transparency in spot markets and reinforcing competition in the PRA sector.

Stakeholder representation

Q24 Is there a need for structural reforms that would provide a process or mechanism for increased stakeholder representation or input of views? Given the use of PRAs by the oil industry, what mechanism would be needed to alleviate concerns of collusion?

Summary

- We have no evidence of complaints regarding stakeholder views and representation with respect to Argus
- Forums exist, and additional forums can be created by the industry, to discuss oil market assessment processes

Argus believes this question is conflating two separate issues: a question of the need for PRAs to take account of stakeholder representation and views, and a separate question around industry requirements for a forum where market participants can discuss broad questions of mutual interest without concerns of collusion.

As a preliminary point, Argus notes that no-one has ever made a complaint to Argus regarding deficiencies in its consultation with stakeholders and it is aware of no evidence that a specific complaint of this nature has ever been made about Argus. To the contrary, Argus is committed to consulting industry and other stakeholders — it is a long-standing part of its culture and ethos — and feedback has always indicated a high degree of satisfaction.

Argus has for many years sought to adopt best practice regarding stakeholder views and consultation. This best practice is codified in the proposed IPRO Code. In Argus' view, best practice as codified in the proposed IPRO Code and strong and effective competition between PRAs provide the most effective and suitable mechanisms for ensuring that PRAs take account of stakeholder views and representation. The proposed IPRO Code requires signatories to verify compliance with one standard (5B) and to two specific guidelines (3.2 and 5.2) in relation to stakeholder consultation and feedback.

On the second question of industry requirements for a forum where market participants can discuss broad questions of mutual interest without concerns of collusion, Argus notes that this is not a question in respect of PRAs. We therefore firmly believe it is distinct from, and not relevant to, questions of PRA functioning and oversight.

We would note that there are many forums where market participants can and do discuss appropriate and proper matters of mutual interest. These include the relevant committees of trade associations and professional bodies such as the Energy Institute, American Petroleum Institute, American Fuel and Petrochemical Manufacturers (formerly the National Petrochemical and Refiners Association), Oil and Gas UK, Gas Forum and others. However, to the extent that market participants consider these forums insufficient, Argus considers it perfectly proper — within the strict bounds of antitrust provisions — for the industry to seek to establish alternatives.

An example of such an alternative forum clearly exists in recent history. The Oil Brokers Association (OBA) was created in mid-2003 as a forum for stakeholder views regarding European gasoline pricing. The OBA issued framework proposals regarding assessment methodologies which led within months to a switch to Argus gasoline barge price indexation in physical markets and swaps in NW Europe (*see Appendix III*).

Q25 What should be included in the terms of reference or objectives of any such process? What are the benefits and risks?

Summary

- The terms of reference for any oil industry forums should be for the industry to decide
- The terms of reference for any forums organised by Argus would be determined by Argus

Terms of reference and objectives related to oil industry forums are a question for the industry to consider independently, rather than specifically in respect of PRAs. Argus has a reputation for consulting with the industry with regard to methodology development and changes. Soliciting feedback from the industry is integral to building confidence in price assessments. Argus accepts feedback through direct contact with market participants at bilateral meetings, industry forums and through other means. Imposing a specific process or mechanism to gather feedback would lead to a narrower and less constructive dialogue.

Q26 Who, if any one, should provide any oversight for such a process?

Summary

- Oversight by an external authority of such a process risks unintentionally reducing competition in oil price benchmarks

The risk of oversight by an external authority is that competition in oil price benchmarks would be unintentionally reduced. The heterogeneity of physical oil markets and diversity of trading practices by market participants leads to differing views among market participants regarding appropriate methodologies. Companies should be free to price against whichever index they and their counterparties decide is most appropriate for them.

In the absence of clear evidence of manipulation, it would be inappropriate and potentially detrimental to the efficient functioning of the market for an external oversight authority to endorse the methodology of one particular index in preference to another or to select a methodology for all PRAs. Doing so would restrict choice, because any methodology supported in this way by a market authority would tend to become the monopoly “mandated” methodology that all PRAs would have to adopt and which all companies would need to accept.

In contrast, freedom of choice in a competitive market allows companies to choose the index most appropriate for them.

Options for oversight

Q27 If required, what would be appropriate models for oversight of PRAs, covering the options described above and potentially others you may consider appropriate? What are the potential benefits and risks, if any? What economic impact, if any, would there be?

Summary
- If required, Argus believes that self-regulation is the appropriate model for oversight of PRAs
- Argus does not believe there is a public policy justification for additional direct regulation of PRAs

PRAs are subject to company law, contract law, libel law, intellectual property law, and competition law, all of which amount to substantial public oversight of PRAs. In addition, PRA benchmarks are subject to regulatory review focusing on the integrity of any third-party index on which a derivatives contract is based.

In this context, Argus believes that self-regulation is the appropriate model for any further oversight of PRAs, if so required. The Consultation Report identifies two advantages of self regulation — low cost and the “efficiencies inherent in being designed and operated by those most familiar with the regulated activity”.

Further, Argus notes IOSCO's correct cognisance in the Consultation Report of the fact that "PRAs perform a unique role and that any consideration of them should be based primarily on their functioning alone".

Argus already demonstrates clear and transparent governance, operates an effective controls and compliance framework, manages and mitigates conflicts of interest, has reliable and transparent methodologies for price reporting and has robust procedures and policies to protect the integrity and transparency of its price reporting processes.

Therefore, Argus does not believe there is a public policy justification for additional direct regulation of PRAs.

Q28 Do you believe that a self-regulated PRA Code of Conduct could appropriately mitigate any risks or concerns you have about PRA governance? Please explain any concerns or identified risks and give reasons for your answer.

Summary

- A self-regulated code of conduct is appropriate if risks and concerns are identified
- Argus is committed to a voluntary IPRO Code

Argus is not aware of any risks or concerns related to its functions, but should it be determined that such risks or concerns exist, a self-regulated code of conduct would be an appropriate measure and Argus supports such a code.

Recognising the important role played by PRAs in bringing transparency to physical oil markets, Argus is transparent in its methodologies and governance. To further enhance public confidence in PRAs, Argus supports the proposed IPRO Code, which codifies Argus' best practices.

Under the proposed IPRO Code, verification of compliance with the Code will be through independent audit by an internationally recognised audit firm or independent internal audit group within the IPRO's corporate organisation. Argus is happy to engage directly with market authorities and regulators to determine the most appropriate frequency of such audits.

Argus believes that the proposed IPRO Code is the most appropriate, proportionate and effective mechanism to ensure transparency and high standards of governance for the PRA sector.

Q29 Would your view of the application of a Code of Conduct change if the PRAs were held to account for its application by a public authority? Please explain and, if appropriate, state which authority or authorities would be best placed to hold the

PRAs to account. What, if any, are the potential benefits and risks?

Summary

- Argus would welcome an independent review by market authorities of the IPRO Code
- Recommendations for oversight beyond the IPRO Code would be unjustified (by evidence and on any other public policy grounds), disproportionate and ineffective
- Bad regulation could inject systemic risk where none exists today

Argus would welcome an independent review of the IPRO Code, following its implementation, in order for regulators to satisfy themselves as to its effectiveness as a codification of best practice. Recommendations for oversight beyond the IPRO Code would be unjustified (by evidence and on any other public policy grounds), disproportionate and ineffective.

Argus is concerned that bad or inappropriate regulation of PRAs carries substantial risk to the proper and orderly functioning of the oil markets. These risks include:

- reduced market transparency;
- less accurate prices published by PRAs;
- less market choice in PRA indexes and methodologies;
- fewer available hedging instruments;
- increased price risk for market participants; and
- unreliable price signals that lead to misinformed decisions on investment and resource allocation.

Bad or inappropriate regulation could therefore inject a form of systemic risk where none exists today. Any undermining of the clear market signals provided by oil benchmarks currently published by PRAs could potentially increase costs of oil for consumers and threaten the security of physical oil supplies.

Q30 Should greater attention be focused by all market authorities, namely exchanges, their governmental regulators and relevant SROs, on the reliability of price series and indexes that are constructed by oil PRAs? If "yes", please comment on the objectives of and mechanisms for such greater involvement by these market authorities. If possible, please provide examples of financial instruments that raise price series/index reliability concerns.

Summary

- Market authorities should already focus on price indexes used in the design of commodity derivatives contracts under existing IOSCO methodologies and principles
- Argus is concerned that perceived problems regarding wider derivatives markets may lead to inappropriate recommendations for direct regulation in relation to PRAs and even physical oil markets themselves

The preamble to this question refers to IOSCO's Assessment Methodology (2010) and to the recently adopted *Principles for the Regulation and Supervision of Commodity Derivatives Markets*[8] (the Principles report). Under this methodology, regulators should review derivative products, and the Principles report says: "At a minimum a statutory Market Authority should have legal powers to address and where necessary to vary contract provisions which produce, or are deemed likely to produce, manipulative or disorderly conditions." The Consultation Report notes that a regulator's review could therefore focus on the integrity of any third-party index on which a derivative contract is based.

To the extent that IOSCO's Principles report focuses on regulating commodity derivatives contracts based on third-party indexes, Argus simply notes that these principles have already been adopted.

However, Argus is concerned that any extension of regulation to cover physical oil markets themselves or PRAs directly would represent a major policy shift with potentially significant consequences and risks to the orderly functioning of oil markets.

Q31 Should IOSCO and any other relevant authorities develop for regulated markets and other trading facilities which use PRA benchmark prices in their derivatives contracts a set of specific criteria against which the suitability of PRA benchmarks should be assessed? If so, which criteria do you think should be included

Summary
- IOSCO has already developed principles for indexes used in derivatives contracts
- Relevant authorities would be ill-advised to move from these principles to a set of specific criteria for physical oil benchmark suitability

IOSCO has already addressed this issue in the recently adopted *Principles for the Regulation and Supervision of Commodity Derivatives Markets*[9] (the Principles report). This work by the Task Force on Commodity Futures Markets establishes that the appropriate focus regarding PRA index suitability is on "principles" rather than "specific criteria". IOSCO's Principles report refers frequently to benchmarks' reliability and the avoidance of the possibility of

[8] http://www.iosco.org/library/pubdocs/pdf/IOSCOPD358.pdf
[9] ibid

manipulation or distortion. IOSCO's Principles report states that when regulators "address evolving trading practices" to prevent a disorderly market, the "self-regulated organisations play a critical and complementary role".

IOSCO's Principles report refers to access to the methodology used to construct indexes and, as stated previously, Argus freely publishes its methodologies. IOSCO's Principles report states that "in the case of a third-party price series or index provider, the market authority should be satisfied that the third party provides safeguards against susceptibility to manipulation." This provision establishes guidelines for regulators to review indexes that are used in derivatives contracts. Argus argues that its internal procedures and compliance process, as codified in the proposed IPRO Code, provide such safeguards.

IOSCO's Principles report recognises the interplay between market authorities and civil or criminal authorities. This framework provides safeguards against manipulation of the underlying markets. These safeguards include, for example, laws against fraud, and new or revised legislation dealing with markets (MAD and MiFID/MiFIR in the EU; Dodd-Frank in the US). It should be noted that some of this legislation, such as the Dodd-Frank Act, includes a safe harbour provision regarding information reported in good faith to price reporting agencies.[10]

Beyond the already-established principles in the adopted Principles report, the relevant authorities would be ill-advised to devise a set of specific criteria to assess PRA benchmarks' suitability, because no two benchmarks are exactly alike.

[10] "(C) GOOD FAITH MISTAKES– Mistakenly transmitting, in good faith, false or misleading or inaccurate information to a price reporting service would not be sufficient to violate subsection (c) (1) (A)" Dodd-Frank Wall Street Reform and Consumer Protection Act (''Dodd-Frank Act'')