



globalCHL

2023 IOSCO Statement

Introduction – globalCHL

Global Commodities Holdings Limited (hereinafter referred to as “globalCHL”, or in some cases, “globalCOAL” which is a brand name) is the administrator of the standard coal trading agreement (“SCoTA”) and standard trading agreement for metals (“STA-M”), an extensively used documentation set designed for over-the-counter transactions relating to the trading of coal and nickel. Furthermore, globalCHL provides and maintains a critical trading platform and brokerage services for physical coal traded on SCoTA terms and physical nickel traded on STA-M terms. globalCHL itself is regulated as a benchmark administrator under Annex II of the UK Benchmarks (Amendment and Transitional Provision) (EU Exit) Regulation 2019 (the “UK Benchmark Regulation” or “UK BMR”) by the Financial Conduct Authority (“FCA”) in the United Kingdom, and for brokerage services by the National Futures Association in the United States of America.

An intrinsic element of globalCHL’s offering within the tradable coal and nickel markets is its administration of six commodity indices, which meet the definition of benchmarks¹ set out within the UK BMR. The exact details of these indices can be found with the “Benchmarks” section of this document.

This statement is made by globalCHL following the conclusion of the independent review performed by Morningstar Indexes Limited of globalCOAL’s commitment and adherence to industry best practice, and more specifically its compliance with the nineteen key principles detailed within the International Organisation of Securities Commissions (IOSCO) report “Principles for Financial Benchmarks” (the “Principles”), as published in July of 2013.

The Morningstar entity Morningstar Indexes Limited (“Morningstar Indexes”) is a regulated benchmark administrator under the UK BMR and Morningstar Indexes GmbH is a regulated benchmark administrator under the EU Benchmarks Regulation. Together, the Morningstar entities are providers of regulatory services, including administration, recognition and endorsement of benchmarks, and regulatory and governance compliance. Morningstar Indexes Limited performed an independent, in-depth review of globalCHL’s compliance with the Principles, and this document is the summary of its analysis and findings.

¹ For the purposes of its administration globalCHL administers all its indexes as if they were regulated benchmarks. For the purposes of this document “benchmarks” refers to all six globalCHL indexes.



Regulatory matters

globalCHL is authorised and regulated by the FCA to carry on the regulated activity of administering benchmarks under the UK Benchmark Regulation, and as such is listed on the FCA Benchmarks Register.

Prior to Brexit globalCHL was listed on the European Securities and Markets Authority (“ESMA”) register of benchmark administrators as an authorised EU benchmark administrator. Although this authorisation has automatically ceased, entities within the EU may still utilise the benchmarks administered by globalCHL, as the obligation to use only authorised third country (including UK) benchmarks does not come into effect for globalCHL’s benchmarks until the 31 Dec 2025.

Authorisation under UK BMR represents a regulator-assessed standard that is considered to be on a level with or in excess of the requirements of the Principles.

Benchmarks

globalCHL currently administers the following benchmarks:

globalCOAL NEWC Index: This benchmark provides a reference price for thermal coal delivered on a Free on Board (“FOB”) basis at Newcastle Port, Australia. The data underlying the Index is derived exclusively from the globalCOAL trading platform and relate to those transactions and orders on the globalCOAL NEWC contract specifically. The globalCOAL NEWC Index is calculated based on a combination of transactions executed on the trading platform and executable bids and executable offers that have been posted on that platform for a minimum period of 15 minutes. The Index itself is utilised by ICE to determine the underlying settlement price for certain traded coal futures and options.

globalCOAL RB Index: This benchmark provides a reference price for thermal coal delivered on a FOB basis at Richards Bay, South Africa. The data underlying the Index is derived exclusively from the globalCOAL trading platform and relate to those transactions and orders on the globalCOAL Phys RB1 contract specifically. The globalCOAL RB Index is calculated based on a combination of transactions executed on the trading platform and executable bids and executable offers that have been posted on that platform for a minimum period of 15 minutes. The Index itself is utilised by ICE to determine the underlying settlement price for certain traded coal futures and options.

globalCOAL DES ARA Index: This benchmark provides a reference price for thermal coal delivered on an ex-ship (“DES”) basis at any of the ports of Antwerp (Belgium), Amsterdam or Rotterdam (the Netherlands). The data underlying the Index is derived exclusively from the globalCOAL trading platform and relate to those transactions and orders on the globalCOAL DES ARA contract specifically. The globalCOAL DES ARA Index is calculated based on a combination of transactions executed on the trading platform and executable bids and executable offers that have been posted on that platform for a minimum period of 15 minutes.



globalCOAL INDO 3800 Index: This benchmark provides a reference price for thermal coal delivered on a FOB basis at any anchorage in South Kalimantan, Indonesia. The data underlying the Index is derived exclusively from the globalCOAL trading platform and relate to those transactions and orders on the globalCOAL FOB INDO 3800 contract specifically. The globalCOAL INDO 3800 benchmark is calculated based on a combination of transactions executed on the trading platform and executable bids and executable offers that have been posted on that platform for a minimum period of 15 minutes. The Index itself is utilised by ICE to determine the underlying settlement price for certain traded coal futures and options.

globalCOAL HCCA Index: This benchmark provides a reference price for metallurgical coal delivered on a FOB basis at ports in Australia. The data underlying the Index are derived exclusively from the globalCOAL trading platform and relate to those transactions and orders on the globalCOAL HCCA contract (including HCCA Branded) specifically. The globalCOAL HCCA Index is calculated based on a combination of transactions executed on the trading platform and executable bids and executable offers that have been posted on that platform for a minimum period of 15 minutes.

globalCHL Physical Nickel Index: This benchmark provides a reference price for nickel for spot delivery on a cost, insurance, and freight (“CIF”) basis at the discharge port locations, as specified in the relevant TS. The underlying data for the globalCHL Nickel Index is derived exclusively from trading activity on the globalCHL online trading platform, in each of globalCHL’s Class 1 nickel markets (defined as Nickel Briquettes, Nickel Full Plate Cathodes, Nickel Rounds, Nickel Pellets and Nickel Powder). The globalCHL Nickel Index is calculated based on a combination of transactions executed on the trading platform and executable bids and executable offers that have been posted on that platform for a minimum period of 15 minutes.



Overview of globalCHL’s compliance with the IOSCO Principles

Governance

Principle 1 - Overall Responsibility of the Administrator:

As the administrator of the globalCHL indices, globalCHL assumes responsibility for all aspects of the indices, including development and enhancements, calculation, publication and distribution of data, operational tasks, and all commercial and licensing aspects.

Within globalCHL, overall responsibility for the globalCHL indexes lies with the globalCHL Board. The Board has delegated “oversight” responsibilities (as defined in the Principles) to the Compliance Committee, the members of which are not involved in the day-to-day management or calculation of the globalCHL indices. Decisions on whether to exclude data from an index are made by the Data Quality Review Group. Its decisions are reviewed by the Benchmark Oversight Committee.

The day-to-day management of the indices is carried out by the Data Quality Review Group (which currently comprises the Chief Executive Officer, the senior independent non-executive director, and the Head of Compliance). That group escalates matters as necessary to the Compliance Committee and the Benchmark Oversight Committee. The Compliance Committee and the Benchmark Oversight Committee are correctly staffed, and their members do not have day to day management responsibilities for the benchmarks.

Principle 2 - Oversight of Third Parties:

This principle is not applicable to globalCHL as there is no use of third-party service providers in the administration of the indices.

Principle 3 - Conflicts of Interest for Administrators:

globalCHL maintains a detailed Conflicts of Interest policy, and associated Conflicts of Interest Register. The Conflicts of Interest policy records conflicts (or potential conflicts) that are disclosed and, where possible, effectively prevented, or where that is not possible, mitigated. Conflicts and potential conflicts are recorded both at the corporate and individual level.

Principle 4 - Control Framework for Administrators:

globalCHL maintains a detailed Administrator Code of Conduct document and an accompanying Control Framework document. This documentation is designed to ensure compliance with the IOSCO principles and with the UK BMR.

These documents clearly and effectively set out the operational, administrative and risk-based processes utilised to administer the indices. Furthermore, these documents define and articulate the various control and oversight mechanisms in place to ensure effective, transparent governance.



Principle 5 - Internal Oversight:

The day-to-day functioning of the indices is the remit of the Data Quality Review Group, overseen by the Compliance Committee. Decisions on the exclusion of any data are referred by the Data Quality Review Group to the Benchmark Oversight Committee for independent review.

In addition, the Compliance Committee has an extensive remit to ensure that the indices are operated in such a manner as to ensure IOSCO and UK BMR compliance. This remit includes (but is not limited to):

- Carrying out periodic reviews of all relevant processes, procedures and documentation that ensure correct functioning of the indices.
- Reviewing, identifying and mitigating or managing all actual or potential conflicts of interest, at both the corporate and individual level.
- Operation of the complaints process.

Quality of Benchmarks

Principle 6 - Benchmark design:

Each of the globalCHL indices has a detailed, comprehensive methodology document, which is available publicly via the globalCHL website². These documents contain all relevant detail, including worked examples of relevant processes and calculations supporting the indices.

Principle 7 - Data Sufficiency:

The input data that drives the calculation of the globalCHL indices are bids/offers and trades undertaken on the globalCHL broking platform. This trading data is not provided for the purposes of index calculation, is factual and observable within the market.

Principle 8 - Hierarchy of Data Inputs:

The index methodology documents clearly detail the data inputs and data cleansing and normalisation processes that ensure an accurate and consistent index. globalCHL retains the discretion to exclude a particular data input, be it a bid/offer or trade, where there is a legitimate suspicion of some form of market manipulation or error. This exclusion can be actioned at the discretion of the Data Quality Review Group, whose actions are in each case reviewed by the Benchmark Oversight Committee.

Principle 9 - Transparency of Benchmark Determinations:

globalCHL actively publishes the index data on a real-time, delayed (1 hour) and end of day basis to relevant subscribers. The process for determining the indices is fully described within each index's methodology document.

² <https://www.globalcoal.com/coalprices/requirements.cfm#zone1>



Principle 10 - Periodic Review:

globalCHL actively reviews its indices to ensure they are fit for purpose and adhere to industry best practice. This review process is performed at least annually.

Quality of Methodology

Principle 11 - Content of the Methodology:

Each of the globalCHL indices has a detailed, comprehensive methodology document, which is available publicly via the globalCHL website. These documents contain all relevant detail, including worked examples of relevant processes and calculations supporting the calculation of the indices.

Principle 12 - Changes to the Methodology:

Material changes³ (as determined by the Compliance Committee) to any globalCHL index methodology are subject a three-stage change process detailed within the methodology, whereby in summary:

1. globalCHL notifies stakeholders of the intention to change an index, the detailed change and rationale behind the change.
2. All users of the index are given the opportunity to review and comment on the proposal within the consultation period (this period cannot be less than three weeks in duration).
3. globalCHL publishes a summary of comments and where appropriate a response to comments, after the close of the consultation period.

globalCHL will subsequently amend and publish the relevant methodology document prior to the implementation of the revision to the methodology.

Principle 13 - Transition:

Contained within the globalCHL methodology documents is a clear process to be followed in the event of a possible index cessation, detailing how stakeholders are consulted on potential index cessations.

Principle 14 - Submitter Code of Conduct:

As the globalCHL indices utilise transaction data and/or bid and offer data, sourced via its trading platform, rather than submission data, there is no requirement for a Submitter Code of Conduct.

A code of conduct applies to the members of the globalCHL trading platform. This code expressly prohibits actions that would compromise the fair and efficient functioning of the market and, by extension, the indices.

³ As per UK BMR and the Principles non-material changes do not require a formal consultation process to be followed.



Principle 15 - Internal Controls over Data Collection:

As globalCHL does not use data sourced from outside the administrator, this Principle is not applicable.

Accountability

Principle 16 - Complaints procedures:

globalCHL maintains a public document detailing its complaints process. The first stage in the process requires the Head of Compliance to review any written complaint submitted. globalCHL will then respond, in writing, within eight weeks of the initial complaint. In cases where the complainant is dissatisfied with the response there is an appeal process that escalates the complaint to the Compliance Committee.

Principle 17 - Audits:

globalCHL solicits an independent audit of its processes, as per its obligation under Annex II (18) of the UK BMR.⁴

Principle 18 - Audit Trail:

globalCHL maintains suitable records of its administration of the indices, in compliance with the Principles.

Principle 19 - Cooperation with Regulatory Authorities:

As per the globalCHL Administrator Code of Conduct, globalCHL maintains a regulatory cooperation policy and has documented evidence of prompt, positive, and constructive engagement with the various regulatory authorities.

Documentation

Documentation required in order to be compliant with the Principles can be found at the following locations:

[globalCOAL - UK Benchmarks Regulation](#)

[globalNICKEL - Nickel Index Methodology](#)

[globalCOAL - Compliance Statements](#)

This documentation includes published methodologies, complaints procedures, further details regarding index governance, and this compliance statement.

⁴ To provide a strong demonstration of its commitment to the Principles, globalCHL has solicited an independent annual audit of its IOSCO adherence since 2017.



Review Process

Morningstar Indexes performed a full review of globalCHL's documentation (both public and non-public) supporting the globalCHL benchmarks. This review was discussed with globalCHL, after which any comments or questions were resolved. Subsequently, minor documentation adjustments were suggested and have been implemented.

Morningstar Indexes then re-reviewed the consolidated documentation set and finalised its report and conclusions.

Findings & Conclusion

As an administrator of indices that meet the regulatory definition of benchmarks for coal and nickel, both the IOSCO Principles for Financial Benchmarks and Annex II of the UK BMR (Commodity Benchmarks) apply to globalCHL.

As clarified in the "ESMA Q&A on Benchmark Regulation" for those benchmarks applying Annex II of the EU BMR instead of Title II of the EU BMR, ESMA considers that an annual review of the IOSCO Principles for Price Reporting Agencies (PRAs) by an independent external auditor is sufficient to ensure compliance with paragraph 18 of Annex II of the EU BMR. By extension, (and given that the Principles for Financial Benchmarks are equivalent to the Principles for PRAs) globalCHL and Morningstar Indexes take the view that the FCA adopts the same stance and that this annual review of compliance with the Principles meets the audit requirement detailed in Annex II of the UK BMR.

The conclusion of Morningstar Indexes's review is that globalCHL's benchmarks are run methodically, objectively and transparently, within a strong governance and control framework. As such globalCHL is confident that our indices are run in full compliance with both the Principles and the UK BMR.