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GLOBAL COMMODITIES HOLDINGS LTD.

## Index Governance - Control and Accountability Framework

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Global Commodities Holdings Limited ('GCHL') invests much time and effort in ensuring that its indices are robust and reliable. We have built a strong framework of safeguards which work together to support the trustworthiness of the GCHL indices. An independent oversight of processes ensures that our safeguards continue to operate effectively.

### Safeguards within the index methodology

Our index methodology ensures that all inputs into the index calculations are objective and transparent, so that:

- all data (trades, bids and offers) are posted or executed through the GCHL trading platform in a fully transparent and auditable way and
- all trades and orders are for a standard specification, so that prices are fully comparable and no subjective normalisation is required
- all trades are genuine and legally binding; all orders are genuine and capable of being traded
- current month data is excluded to avoid the distorting price effect of very prompt cargoes
- order data must be posted to the trading screen for a minimum of 15 minutes to ensure that there is sufficient time for them to be traded and

The calculation of the GCHL indices is available in "real time" on our website to those who have subscribed to the data. It shows the transactions, bids and offers that form the GCHL indices, their quantity and price and the percentage weight afforded to each.

The process for the calculation of the GCHL indices is transparent and automatic, without the use of any discretion or judgement. As set out in the index methodologies, if expert judgement is used in determining a GCHL index on any occasion (for example if a bid or offer was made in error or a transaction was concluded in error or was required to be excluded for any compliance reason), that fact and the resulting change to the GCHL index will be stated on our website and will be communicated to GCHL's subscribers.

View our methodologies: [NEWC Index](#) | [RB Index](#) | [DES ARA Index](#) | [INDO 3800 Index](#) | [Class 1 NICKEL Index](#)



## Safeguards on the trading screen

Robust inputs are critical to ensuring a robust output. Upstream, a number of trading screen rules support the robustness of the indices by ensuring that bids and offers are genuine expressions of a willingness to trade at those levels and that transactions are genuine, arm's-length deals. These include:

- participants may only trade on the GCHL platform, and therefore may only place an order or conclude a transaction that affects a GCHL index, if they pass our "Know Your Customer" procedures, are of a sufficient financial size<sup>1</sup>, are not subject to sanctions and have agreed to comply with the rules of the GCHL platform (as set out in the Usage Agreement) and with the Market Member Code of Conduct, which is available on our website.
- participants must have a minimum number of reciprocal counterparty credit arrangements with other Market Members active in a particular market before they are allowed to post orders in that market; this ensures that all orders have a reasonable chance of being transacted
- related parties are prohibited from trading with each other
- parties are anonymous on screen
- credit mismatches can be resolved through the use of a third party acting as a credit sleeve
- there are minimum tradeable parcel sizes (20 tonne cargoes in Phys Nickel, 25kt in the Phys NEWC, DES ARA and INDO 3800 markets and 50kt in the Phys RB1 market)

## The control framework

GCHL is the administrator of the GCHL indices and has full responsibility for all aspects of the GCHL indices, including their development, determination and publication, operation and governance. Within GCHL, overall responsibility for the GCHL indices lies with the GCHL Board. The Board has delegated:

- oversight responsibility for the general administration of the GCHL indices to the Compliance Committee, the members of which are not involved in the day to day management or calculation of the GCHL indices and
- the oversight of any expert judgement exercised in the calculation of any index price to the Benchmark Oversight Committee, the members of which are independent of GCHL and of the market.

The Compliance Committee and Benchmark Oversight Committee terms of reference are available on our website.

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<sup>1</sup> They must meet the FCA's (the Financial Conduct Authority) criteria to be a per se professional client and the MAS's (the Monetary Authority of Singapore's) criteria to be an Accredited Investor.



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Our index methodologies, policies and procedures are designed to promote the quality and integrity of the index determination process and therefore ensure that:

- the GCHL indices are best designed to measure the markets that they relate to and that there is sufficient input data for the indices to be meaningful, including procedures to deal with any instances in which there may be a paucity of input data
- employees have the required skills, knowledge and experience necessary to perform their specific responsibilities and their competence is reviewed regularly (GCHL's benchmark staff competence policy is available on request from [compliance@commodities.global](mailto:compliance@commodities.global)).
- there is adequate management of risk, including of operational risk (GCHL's disaster recovery policy is available on request from [compliance@commodities.global](mailto:compliance@commodities.global).)
- conflicts of interest are eliminated or, where that is not possible, effectively managed or mitigated. As part of this, there are conflicts of interest policies applicable to the GCHL Board, the Compliance Committee and to our staff, with any potential conflicts of interest being recorded in, and managed through, conflicts registers. Members of the Benchmark Oversight Committee are required to be independent of any conflicts of interest that may affect their role there. Our staff and directors are required to comply with the Personal Account Dealing policy which prohibits staff from participating in certain transactions, including those on our trading platform, and requires them to report other transactions.
- There are strict anti-bribery and corruption policies, including policies about gifts and entertainment
- staff remuneration is designed so that it is not affected by the price of bids, offers or transactions or by any changes in the level of the GCHL indices. (The conflicts of interest policy is available on our website)
- there are procedures to mitigate the impact on the market of any methodology changes or the cessation of any of the GCHL indices. (The index methodologies are available on our website)
- potential whistle-blowers are able to raise concerns, initially within our organisation and, if required, externally, and are able to do so without suffering any detriment

## **The accountability framework**

GCHL is accountable, as the administrator of its indices, to the Board and to the Compliance Committee (a sub-committee of the Board). The Compliance Committee is responsible for oversight of GCHL's compliance with all of the laws and regulations that affect it as a benchmark administrator. The reviews and reports generated by the Compliance Committee are available to GCHL's regulators.

As part of its accountability framework, GCHL has policies to ensure that all records relevant to the formation and publication of its indices, including all input data, the calculations used



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in the indices and the exercise of any discretion that affects them, are retained for at least six years.

GCHL ensures that complaints are properly managed and that records relating to them are retained for at least six years. (The Complaints Resolution and Appeals Process is available on our website)

### **Front Office monitoring**

GCHL's brokers are trained to monitor and detect any potentially suspicious activity on the platform, for example:

- inverted markets
- trading through the best bid / best offer
- optionality limiting the potential for an order to be traded
- manipulation of credit arrangements to limit the potential for a company's orders to be traded
- producer-to-producer activity causing an artificial rise in prices (or vice-versa for end-user activity)
- bids or offers concentrated at times of low liquidity

Front Office can remove off-market bids and offers from the screen and must report suspicious activity to the Head of Compliance. This must be done promptly, with any concerns being summarised in the end-of day market update that the Singapore and London offices submit each day.

### **Data Quality Review Group intervention**

The Data Quality Review Group is an internal management group that considers any potentially suspicious activity on the GCHL trading platform, decides on the appropriate action to be taken and reviews decisions made by the Front Office to remove off-market bids and offers. The Head of Compliance (or, in their absence another member of the Group will submit reports of suspicious activity to our regulators where necessary.

The Group can also:

- exclude an index-qualifying order or transaction from the calculation if it is considered to be derived from potentially suspicious activity
- issue formal warnings for suspected market misconduct and
- suspend traders and Market Members from participating on the platform

The decisions of the Group are reviewed by the Benchmark Oversight Committee, whose members are independent and have experience of markets and of market abuse regulations.



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## **Regulatory Oversight**

GCHL is regulated by the UK's Financial Conduct Authority and by the National Futures Association in the USA. Any abuse of those physical markets which contribute to an index that affects the derivatives markets is a criminal offence.