



Benchmark Cessation Policy

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Document History

Version	Action <i>(Amendment/update/new release)</i>	Author & Title <i>(Name of person responsible for action)</i>	Date <i>(Date of action)</i>	Comment
1.0	New Release	Deepa Lad Compliance	Mar-20	Original Version released
1.1	Update	Deepa Lad Compliance	Jan-21	Section 5: Amendment to roles and responsibilities.
1.2	Update	Deepa Lad Compliance	Nov-21	Amendments to reflect UK BMR; Updates to Section 2 for circumstances that may trigger a benchmark cessation; and Updates to Section 8 in relation to external engagement.
1.3	Update	Lucy Dodson Compliance	April-22	Amendments to make it generic as to type of benchmark Update to section 3, 4 and 5 to include additional points.

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1. Introduction

- 1.1 The Baltic Exchange Information Services Limited (**BEISL**) ensures that its benchmarks are provided in compliance with the IOSCO Principles for Financial Benchmarks, and the UK Benchmark Regulation (**UK BMR**).
- 1.2 This cessation policy (**Policy**) is specific to BEISL benchmarks or families of benchmarks that fall within the regulatory scope of the UK BMR. BEISL shall ensure its procedures are robust and this Policy sets out the steps that BEISL shall take in the event of a cessation of one of these benchmarks.
- 1.3 Benchmark cessation shall be the permanent discontinuation of the determination and administration of a benchmark.

2. Objective and potential reasons for benchmark cessation

- 2.1 BEISL recognises its benchmarks have a wide range of applications as outlined in the relevant benchmark guide (the **Guide**). While we seek to ensure that all relevant characteristics of the shipping market are reflected in benchmark methodologies, it is possible that certain factors will necessitate changes to, or cessation of, one or more benchmarks administered by BEISL. This document sets out the procedure to be applied in circumstances where it becomes necessary to cease any of its benchmarks. These circumstances may be due to external factors beyond the control of BEISL, internal strategic considerations or voluntary discontinuations.
- 2.2 Circumstances that may trigger a benchmark cessation may include, but are not limited to:
 - a) Legislative or regulatory change that would deem further provision of a benchmark impossible or otherwise unsustainable;
 - b) Request from an applicable regulatory body requiring BEISL to cease the benchmark methodology and benchmark determination and administration;
 - c) A prolonged implementation of a contingency measure where remediation is not possible or achievable within a specified time frame;
 - d) A benchmark becoming no longer representative of the economic reality it intends to measure, due to developments in the relevant markets or other factors including (but not limited to) change in trading patterns or lack of sufficient data and/or;
 - e) BEISL becoming unable to continue to determine the benchmark in a reliable fashion;
 - f) A benchmark provision becoming economically unsustainable;
 - g) Limited or no use of a benchmark as a reference in financial instruments; and
 - h) Change in economic reality, market demand or product strategies affecting BEISL's benchmark administration activities.

2.3 To this end, BEISL shall keep under review:

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

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

3. Guiding Principles

3.1 As noted in each of the relevant Guides, BEISL has an obligation to ensure the integrity of the benchmark that it administers and in doing so, takes into account the characteristics of the physical freight and freight derivatives markets. In the execution of this Policy, BEISL shall have regard to the following guiding principles:

- a) Consideration to be given to a potential impact on the stability of the financial market;
- b) Consideration to be given to the potential economic and financial impact that may result from the cessation of a benchmark;
- c) Recognition that for the marketplace, trade patterns change and develop over time which shall be reflected in BEISL's benchmark methodology;
- d) Consideration to be given to outstanding open interest in any relevant derivatives market (if applicable) as well as the usage made of the route assessments and averages in physical deals;
- e) Consideration of any applicable regulatory and/or financial implications that may result from contracts and financial instruments that reference the benchmark; and
- f) Consideration of the practicality of maintaining parallel benchmarks (where deemed appropriate and feasible) in order to accommodate an orderly transition to a new benchmark.

4. Benchmark cessation plan

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

- a) **Consultations-** BEISL shall conduct necessary consultations with market participants, the relevant Baltic Advisory Council, Panellists (if relevant to the benchmark), Baltic members and other stakeholder groups, as appropriate.
- b) **Provision of adequate notice-** Where possible, BEISL shall inform the market with as much notice as practical after the consultation process. Such notice shall be given by way of circulars that are directly distributed to members of the Baltic Exchange and also

published on the Baltic Exchange website or any third-party platforms. BEISL may also communicate through the relevant Baltic Advisory Council, forums and newsletters.

- c) **Provision of interim arrangements**– If deemed appropriate, BEISL shall develop interim procedures and practices to ensure that the determination and administration of benchmarks is continued over a set period of time in order to permit existing contracts to migrate where necessary.
- d) **Relevant third parties and stakeholders**- Where appropriate, relevant third parties shall be incorporated into the planning, design, and implementation phases that may reduce transition risks.

5. Allocation of responsibilities and benchmark cessation procedure

Roles and responsibilities

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

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

	Once the required evidence has been obtained and approval of the cessation given by the relevant Advisory Council, inform the BOF of the proposed cessation.
BEISL Board	Review and approve detailed benchmark cessation plan prepared by BEISL. Implement the cessation of the benchmark in accordance with the agreed plan and in coordination with the relevant Advisory Council, where appropriate.
Relevant Baltic Advisory Council	Provide comments and recommendations to the BEISL Board on the consultation and proposed benchmark cessation plan.
BEISL Oversight Function	Review the cessation of any benchmark in accordance with this Policy and the cessation plan submitted by BEISL to the BEISL Board. Assess BEISL's adherence with this Policy in the implementation of the benchmark cessation process.

6. Emergency benchmark cessation procedure

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

7. Timing and notice

- 7.1 Any proposed timing and notice by BEISL shall take into account the following:
- a) If the cessation of a benchmark is a regulatory requirement or the effect of any regulatory, legal or other provisions;
 - b) The urgency, if any, of ceasing a benchmark;
 - c) The extent and impact, if any, of IT and operational issues;
 - d) The duration of any consultations;
 - e) The amount of notice to be given to the marketplace and Panellists (if relevant) to allow them to take appropriate action; and
 - f) To the extent a third-party service provider is involved, the amount of notice to be given to the third-party service provider.

8. External Engagement

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

9. Record Keeping

- 9.1 BEISL shall maintain relevant records in accordance with the relevant Guide when it intends to cease a benchmark. In particular (but not limited to), records relating to the reason for cessation, relevant discussions, meeting minutes, key communications and consultation points shall be retained for a minimum of five (5) years.

10. Document Review and Approval

10.1 BEISL shall review this Policy on an annual basis.