

## Conflict of Interest Disclosure Statement

### Ocean Bulk Benchmarks

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#### 1 Introduction

- 1.1 The Baltic Exchange Ltd, through its wholly owned subsidiary, Baltic Exchange Information Services Ltd (BEISL) provides Ocean Bulk Benchmarks offering physical, spot, and forward benchmark rates.
- 1.2 This document discloses any existing or potential conflicts of interest that have been identified and may arise in connection with the ocean bulk benchmark administration activities as set out in the Guide to Market Benchmarks (GMB). Additional information about the identification, disclosure and management of conflict of interest can be found within the GMB.
- 1.3 The content of this document has been prepared in accordance with the requirements of the Benchmark Regulation<sup>1</sup> and IOSCO Principles for Financial Benchmarks (IOSCO PFBs) for all material, existing or potential conflicts of interest.
- 1.4 BEISL shall update this conflict of interest disclosure statement as soon as it becomes aware of any further potential or existing conflict of interest.
- 1.5 This disclosure statement should be read in conjunction with the GMB. Among other things, Section 10 of GMB includes definitions of all key terms relating to conflicts of interest referenced in this disclosure statement.

#### 2 Conflict Disclosed: BEISL's ownership structure

##### *Conflict information*

- 2.1 BEISL has identified that its ownership structure may give rise to a conflict of interest. BEISL is part of the wider SGX group and actual, perceived or potential conflicts may therefore arise through this ownership. Further, SGX is a clearing exchange for BEISL's Dry Forward Freight Agreements (FFAs) and Options contracts. SGX is a licensee of BEISL benchmarks.

##### *Conflict Management/ Arrangements*

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<sup>1</sup> Regulation (EU) 2016/1011 of the European Parliament and of the Council of 8 June 2016 on indices used as benchmarks in financial instruments and financial contracts or to measure the performance of investment funds and amending Directives 2008/48/EC and 2014/17/EU and Regulation (EU) No 596/2014, OJ L 171 (29 June 2016) ([link](#)).

2.2 BEISL has implemented adequate arrangements in order to avoid or effectively manage these potential conflicts of interest to the greatest extent possible. Such mitigation measures include (but are not limited to):

- i. Segregating the activities of BEISL from SGX by virtue of the fact that it is a wholly owned subsidiary of Baltic Exchange Ltd.
- ii. Ensuring that BEISL is governed by its own exclusive board of directors and that there are no individuals which are involved in both the provision of benchmarks for BEISL and the SGX Group;
- iii. Requiring members of the governance structures of BEISL and SGX to declare any conflict in accordance with the Terms of Reference of the governance structure;
- iv. Disclosing any relevant circumstances where SGX may be a stakeholder which may give rise to a conflict of interest; and
- v. Undertaking ongoing review of any circumstances which may pose a conflicts of interest risk.

### **3 Conflict Disclosed: BEISL Board**

#### *Conflict information*

3.1 BEISL has identified that there may be a potential conflict of interest between the personal interests of the members of the BEISL Board and BEISL itself.

#### *Conflict Management/ Arrangements*

3.2 BEISL has implemented adequate arrangements in order to effectively manage this potential conflict of interest to the greatest extent possible. Such mitigation measures include (but are not limited to):

- i. Setting Conflicts of Interest as a standing agenda item for all Board meetings which enables Board members to disclose any conflicts of interest they may have and recuse themselves from voting on the impacted matter;
- ii. Ensuring that BEISL's board members are not subject to a remuneration and performance evaluation that creates a conflict of interest;
- iii. Requiring all BEISL's board members to declare whether they have any interests or business connections that may compromise BEISL as a benchmark administrator;
- iv. Subjecting all BEISL's board members to the BEISL Personal Account Dealing Policy which prohibits employees from contributing to a benchmark determination by way of engaging in bids, offers or trades on a personal basis or on behalf of market participants; and
- v. Undertaking an annual review of the BEISL's board members with a view to identifying any potential for conflicts of interest.

### **4 Conflict Disclosed: Baltic Index Council (BIC)**

#### *Conflict information*

4.1 The BIC performs certain governance functions in respect of the benchmarks administered by BEISL. It does so by providing input to the BEISL Board of Directors or by jointly performing certain governance functions together with the BEISL Board. The BIC's composition includes persons who are

representatives of the appropriate segments of the market (including at least a dry bulk, a wet bulk and a shipping broker) and who are independent from the management of BEISL and its affiliates.

- 4.2 BEISL has identified a de facto conflict of interest by virtue of market participants being members of the BIC.

***Conflict Management/ Arrangements***

- 4.3 BEISL has implemented adequate arrangements in order to effectively manage this potential conflict of interest to the greatest extent possible. Such mitigation measures include (but are not limited to):
- i. Prohibiting voting members of the BIC to seek or take instructions from public bodies, companies or any other body;
  - ii. Requiring in the letter of appointment that BIC members declare to the Chairman and/or secretariat of the BIC any conflicts of interest that their position as a council member causes at the time of appointment and for the duration of their term of appointment and to recuse themselves from any decision making or advice pertaining to any such conflict;
  - iii. Requiring BIC members not to release any confidential information to third parties (without prior BEISL clearance) during or following their appointment as a BIC member; and
  - iv. Undertaking an annual review of the BIC with a view to identify and consider any potential for conflicts of interest.

**5 Conflict Disclosed: BEISL Oversight Function (BOF)**

***Conflict information***

- 5.1 BEISL is obliged by law to establish an oversight function which is responsible for providing oversight of the overall functioning of the BEISL benchmark administration business. Amongst other matters, the BOF oversees the implementation of BEISL's control framework, BEISL employees and panellists' adherence to the GMB, audit assessment and review and reporting the FCA of any misconduct. BEISL has identified that there may be a potential conflict of interest between the personal interests of the members of the BOF and BEISL itself.

***Conflict Management/ Arrangements***

- 5.2 BEISL has implemented adequate arrangements in order to effectively manage any potential conflict of interest to the greatest extent possible. Such mitigation measures include (but are not limited to):
- i. At appointment, requiring all BOF members to declare whether they have any interests or business connections that may compromise BEISL as a benchmark administrator
  - ii. Setting Conflicts of Interest as a standing agenda item for all BOF meetings which enables BOF members to disclose any conflicts of interest they may have and recuse themselves from voting on the impacted matter; and
  - iii. Undertaking an annual review of the BOF with a view to identify and consider any potential for conflicts of interest.

**6 Conflict Disclosed: Panellist contribution of Input Data**

***Conflict information***

- 6.1 BEISL is the regulated entity that administers the ocean bulk benchmarks as set out in the GMB and has primary responsibility for all aspects of the provision of benchmarks. BEISL receives contribution

of input data from Panellists and the integrity and accuracy of BEISL's benchmark determination depends on the integrity and accuracy of input data submitted by Panellists.

- 6.2 In accordance with the GMB, Panellists retain discretion to decide the relative importance of the factors they have considered in reaching their assessment. Further details on the use of discretion and expert judgement can be found in the GMB.
- 6.3 BEISL has identified that Panellists' impartiality and objectivity may be compromised or improperly influenced in the process of contributing input data and this may cause a conflict of interest.

#### ***Conflict Management/ Arrangements***

- 6.4 BEISL has implemented adequate arrangements in order to avoid or effectively manage this potential conflict of interest to the greatest extent possible. Such mitigation measures include (but are not limited to):
- i. Ensuring that Panellists maintain policies, procedures and controls that are designed to enable the identification and management of any conflicts of interests which may arise from the process of making Input Data contributions and to prevent the manipulation thereof by those involved in the contribution process;
  - ii. Undertaking annual reviews of the Panellists' conflicts of interest controls and procedures; and
  - iii. Requiring Panellists to record any conflicts of interest identified and any measures taken to manage them, on their conflicts of interest register and make this accessible by internal or external auditors and retained in accordance with relevant record-keeping requirements.

### **7 Conflict Disclosed: Baltic employees directly involved in the benchmark determination and administration process**

#### ***Conflict information***

- 7.1 BEISL employees directly involved in the benchmark determination and administration process are privy to confidential information in their roles. This confidential information includes contribution of input data received from Panellists and the determined benchmark rate. A potential conflict of interest arises in the use of this confidential information.

#### ***Conflict Management/ Arrangements***

- 7.2 BEISL has implemented adequate arrangements in order to effectively manage this potential conflict of interest to the greatest extent possible. Such mitigation measures include (but are not limited to):
- i. Subjecting all BEISL staff to the Baltic Staff Handbook which contains the Baltic's policy on staff conflicts and confidentiality;
  - ii. Requiring all BEISL staff to undertake regular training in respect of the procedures for identifying, managing and escalating conflicts, including personal conflicts;
  - iii. Ensuring that BEISL's employees are not subject to a remuneration and performance evaluation that creates a conflict of interest;
  - iv. Requiring all employees declare whether they have any interests or business connections that may compromise BEISL as a benchmark administrator;
  - v. Requiring all employees declare any personal financial interest that may reference BEISL benchmarks;

- vi. Subjecting all staff to the BEISL Personal Account Dealing Policy which prohibits employees from contributing to a benchmark determination by way of engaging in bids, offers or trades on a personal basis or on behalf of market participants;
- vii. Putting in place Chinese walls to physically separate the operations of BEISL and other business functions within Baltic; and
- viii. Undertaking an annual review of the BEISL employees with a view to identifying any potential for conflicts of interest.