



ICE Brent Practice Standards

Introduction

The ICE Brent Index Practice Standards sets out the respective responsibilities of:

- ICE Futures Europe ('IFEU') as the benchmark administrator of the ICE Brent Index
- those who make benchmark submissions available to IFEU, and
- the ICE Brent Index Oversight Committee ('Oversight Committee').

They have been developed, and are owned by, the ICE Brent Index Oversight Committee.

Context

IFEU is a UK based recognised investment exchange (RIE) operating futures and options markets in crude and refined oil, interest rates, equity derivatives, natural gas, power, coal, emissions and soft commodities.

The ICE Brent futures contract, which is traded on ICE Futures Europe and is one of the most liquid futures contracts in the world, is a deliverable contract based on EFP delivery with an option to cash settle on expiry day. ICE Futures Europe calculates the ICE Brent Index for use as the final cash settlement price.

The ICE Brent Index represents the average price of trading in the BFOE (Brent-Forties-Oseberg-Ekofisk) 'cash' or forward ('BFOE Cash') market in the relevant delivery month as reported and confirmed by the industry media.

In 2015 the scope of UK benchmark legislation was extended beyond LIBOR to include an additional 7 benchmarks in line with the recommendations made by the UK Government's Fair and Effective Markets Review in 2014.

Under the extended legislation, the ICE Brent Index published for the lead month ICE Brent contract on the contract's expiry day, became a specified benchmark administered by ICE Futures Europe under the supervision of the Financial Conduct Authority (FCA). These Practice Standards therefore relate solely to the production of the ICE Brent Index, for the lead month ICE Brent contract, on the expiry date of this contract.

The FCA's regulatory requirements for benchmarks are contained in the MAR 8 chapter of the Market Conduct section of the FCA Handbook.

Unlike some other *specified benchmarks*, the ICE Brent Index does not have *benchmark submissions* but does have *persons who make benchmark submissions*.

Practice Standards

MAR 8.3.10 in the FCA's Handbook provides that:

"The *benchmark administrator* through its oversight committee must:

- (1) develop practice standards in a published code which, for the relevant *specified benchmark*, set out the responsibilities for:
 - (a) *benchmark submitters* and (where applicable) *persons* who make *benchmark submissions* available;
 - (b) the *benchmark administrator*; and
 - (c) the oversight committee;
- (2) undertake regular periodic reviews of:
 - (a) the practice standards mentioned in MAR 8.3.10 R (1);
 - (b) the setting and definition of the *specified benchmark* it administers;
 - (c) where applicable the composition of panels of *benchmark submitters* or other *persons* who make *benchmark submissions* available; and
 - (d) the process of making relevant *benchmark submissions*; and
- (3) before making any changes as a result of such review:
 - (a) notify the FCA;
 - (b) after doing so, publish a draft of the proposed changes and a notice that representations about the proposed changes may be made to the *benchmark administrator* within a specified time; and
 - (c) have regard to any such representations."

For specified benchmarks that do not have benchmark submitters:

- (1) the practice standards in MAR 8.3.10R (1) should specify data standards, including data quality and the representativeness of benchmark submissions; and
- (2) the process of making relevant benchmark submissions in MAR 8.3.10R (2)(d) should include processing, considering or using the benchmark submission to determine the specified benchmark it administers.

This ICE Brent Index Practice Standard fulfils IFEU's obligation under MAR 8.3.10(1).

Through the Oversight Committee, IFEU will conduct periodic reviews of the Practice Standard and, before making any changes as a result of a review, will notify the FCA, publish the proposed changes for consultation and have regard to any subsequent representations.

IFEU's responsibilities as the administrator of the ICE Brent Index

IFEU, in discharging its duties as the ICE Brent Index Benchmark Administrator shall:

- maintain effective organisational and governance arrangements;
- have regard to maintaining the integrity of the market and the continuity of the benchmark;
- identify and manage conflicts of interest that may arise;
- appoint a benchmark administration manager, with sufficient authority and resources, with responsibility for oversight of IFEU's compliance with its benchmark administration duties;
- monitor and survey benchmark submissions to identify breaches of the data standards code and/or potentially manipulative behaviour;
- report any suspicious behaviour to the FCA;
- operate whistleblowing procedures to enable third parties to notify any suspicions to the benchmark administrator on an anonymous basis;
- ensure that the ICE Brent Index is determined using adequate data;
- appoint an Oversight Committee which will include representatives of providers of benchmark submissions, market infrastructure providers, users of the specified benchmark and at least two independent non-executive directors of the benchmark administrator;
- keep all relevant records used to determine the ICE Brent Index for at least five years; and
- maintain adequate financial resources.

The full text of MAR 8 can be found at: <http://fshandbook.info/FS/html/FCA/MAR/8>.

Responsibilities of the ICE Brent Index Oversight Committee

The Oversight Committee shall:

- maintain and periodically review these Practice Standards;
- periodically review the setting and definition of the ICE Brent Index;
- periodically review the persons who make benchmark submissions as part of the formation of the ICE Brent Index, and the process for making such submissions; and
- before making any changes as a result of the reviews outlined above notify the FCA and seek representations from the market on such proposals.

Responsibilities of the Providers of Benchmark Submissions

Providers of benchmark submissions shall:

- comply with the Principles for Oil Price Reporting Agencies (the Principles) as published by IOSCO, and in particular:

- Methodology:

Formally document and describe all criteria and procedures that are used to develop an assessment, including guidelines that control the exercise of judgment, the exclusion of data as well as the procedures for reviewing the PRA's methodology.

- Changes to a Methodology:

Ensure transparency of the procedures by which the PRA advises stakeholders of any proposed changes to a methodology, including the opportunity for stakeholder comment on an annual basis, appoint the impact of any non-urgent material changes.

- Market Data Used in Price Assessments:

Give priority to market data in the following order; 1. Concluded and reported transactions, 2. Bids and offers, 3. Other market information and implement measures intended to ensure that the transaction data submitted and considered in an assessment are bona fide, including measures to minimize selective reporting.

- Integrity of the Reporting Process:

Implement and maintain procedures which are intended to ensure the integrity of information, including procedures to set standards for who may submit data, quality control procedures to evaluate the identity of a submitter and internal controls to identify and respond to improper communication between submitters and assessors.

- Assessors:

Adopt and have explicit internal rules and guidelines for selecting assessors, including their minimum level of training, experience and skills, as well as the process for periodic review of their competence.

- Supervision of Assessments:

Implement and maintain on-going supervision of assessors and procedures for internal sign-off on assessments as a means to promote the integrity and reliability of assessments.

- Audit Trails:

Ensure the contemporaneous documentation and retention for 5 years of all relevant information and judgments made in reaching a price assessment, including any exclusions of data.

- Conflicts of Interest:

Ensure the documentation, implementation and enforcement of measures to avoid conflicts of interest, so as to insulate assessments from improper influences, such as commercial or personal interests of the PRA or any of its personnel. Such measures shall include the functional and operational separation of a PRA's assessment business from any other business that may present a conflict of interest.

- Complaints:

Publish and maintain a written procedure for receiving, investigating and retaining records concerning complaints about a PRA's assessment process, including recourse to an independent third party appointed by the PRA. This includes ensuring that details concerning complaints are documented and retained by the PRA.

- Cooperation with Regulatory Authorities:

Make available to relevant market authorities audit trails and other related documentation in accordance with applicable law.

- External Auditing:

Publish an annual assurance assessment, produced by an independent external auditor with appropriate experience and capability to review and report on the PRA's adherence to its stated methodology criteria and the PRA's fulfilment of the requirements of the Principles for Oil PRAs as published by IOSCO. The results of the audit shall be made available to IFEU and the Oversight Committee within three months of the audit date; and

- Laws and regulations:

Comply with all applicable laws and regulations.

Notify IFEU and the Oversight Committee in writing immediately on becoming aware of any material non-compliance with the Principles for Oil PRAs and/or non-compliance with applicable laws and regulations.
