

## COMDAQ METALS LIMITED

### Compliance with IOSCO Principles for Financial Benchmarks

On 17 July 2013, the International Organization of Securities Commissions (**IOSCO**) published its *Principles for Financial Benchmarks (PFBs)*. The PFBs provide an overarching framework for benchmarks based on market data and used for financial instruments and financial contracts. The PFBs recommend that benchmark administrators periodically review and publically disclose the extent of their compliance with the PFBs. The following is a summary of CML's compliance with the PFBs including the recommendations included in the *IOSCO Report on Guidance on the IOSCO Principles for Financial Benchmarks (PFB Guidelines)* of 16 December 2016.

### Scope

CML operates the daily tradeable physical metal platforms from rhodium, ruthenium, and iridium. It arranges over-the-counter trades between members in certain unregulated products, including forward swaps for all metals, and is the operator of an online trading platform for business-to-business trading of physical commodities.

CML operates the Comdaq Metals Tradable Rhodium Benchmark (the **Benchmark**) in conjunction with the daily tradable physical metals platforms it operates. As such, CML is the administrator in respect of the Benchmark.

### Application and proportionality

CML has enhanced its existing policies and procedures relating to the Benchmark in order to comply with IOSCO's recommended practices regarding the establishment, operation and oversight of financial benchmarks. In enhancing its policies and procedures, CML has implemented the PFBs in a manner proportionate to the size and risks posed by the Benchmark. Specifically, CML has taken into consideration a number of factors, including the proposed use of the Benchmark, the actual and expected number of users, the actual and expected volume of products linked to the Benchmark, the level of discretion retained by CML and the potential conflicts of interests applicable to the Benchmark. CML intends to implement additional enhancements to its policies and procedures as required.

CML has in place a control and oversight framework which is designed to promote the quality and integrity of the determination process for the Benchmark. In particular, the standards that have been set by CML seek to ensure that:

- (a) actual or potential conflicts of interest which arise in relation to the Benchmark are appropriately identified, managed, disclosed and recorded;
- (b) the Benchmark provides an accurate and reliable representation of the economic realities of the interest that it seeks to measure; and

- (c) there are clear policies and procedures in place to mitigate the market impact of methodology changes or cessation of the Benchmark.

**Further information**

Additional information regarding the control and oversight framework for the process of determining and distributing the Benchmark and the procedures for notifications of material changes in the methodology and/or cessation of the Benchmark are available on request from Mr Neil Grover, Comdaq Metals Limited, 60 High Street, Wimbledon Village, London SW19 5EE, Telephone +44 (0) 20 3857 3040, E-mail: [neil.grover@comdaqmetals.net](mailto:neil.grover@comdaqmetals.net).

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## Compliance with IOSCO Principles for Financial Benchmarks

Governance	
<b>PFB 1 – Overall responsibility of the Administrator</b>	
✓	<p>The CML Code of Conduct and Compliance Manual, Membership Agreement and Submitter Code of Conduct satisfy criteria (a) through (d) of PFB 1. CML retains primary responsibility for all aspects of the Benchmark determination process, including in relation to the development, determination, operation and governance of the Benchmark.</p> <p>Chapter 6 of the CML Code of Conduct and Compliance Manual satisfies criteria (a) through (d) of PFB 1 by virtue of the fact it clearly sets out the Benchmark methodology and dissemination process, including the provision of a worked example to enable further understanding of the Benchmark methodology and process.</p> <p>CML maintains an accurate and timely compilation, publication and dissemination of the Benchmark. This is done by way of adherence to the methodology provided for in clauses 2, 3 and 4 of the Membership Agreement, which satisfies criteria (b) of PFB 1. The Benchmark methodology for dissemination of the Benchmark is publicly available and well-known which reduces the risk of deviation.</p> <p>CML satisfies criteria (c) of PFB 1 on the basis that Members receive relevant documentation twice a year regarding the operation of the benchmark and any queries raised are discussed between the responsible person and the operating group.</p> <p>The Oversight Committee Terms of Reference satisfies criteria (d) by establishing an identifiable oversight function in relation to the Benchmark.</p>
<b>PFB 2 – Oversight of third parties</b>	
N/A	PFB 2 is not applicable to the Benchmark administered by CML.
<b>PFB 3 – Conflicts of Interest for Administrators</b>	
✓	<p>CML's Conflicts of Interest Policy and the Oversight Committee Terms of Reference satisfy the criteria of PFB 3. Specifically:</p> <ul style="list-style-type: none"> <li>• CML complies with criteria (a) of PFB 3 by way of paragraph 2.2, bullet 1 of the Conflicts of Interest Policy.</li> <li>• CML complies with criteria (b) of PFB 3 by way of paragraph 2.2, bullet 2 of the Conflicts of Interest Policy.</li> <li>• CML complies with criteria (c) of PFB 3 by way of paragraph 2.2, bullet 3 of the Conflicts of Interest Policy.</li> <li>• CML complies with criteria (d) of PFB 3 by way of paragraph 2.2, bullet 4 of the Conflicts of Interest Policy.</li> <li>• CML complies with criteria (e) of PFB 3 by way of paragraph 2.2, bullet 5 and paragraph 2.3 bullet 7 of the Conflicts of Interest Policy.</li> <li>• CML complies with criteria (f) of PFB 3 by way of paragraph 2.2, bullet 6 and paragraph 2.3 bullet 6 of the Conflicts of Interest Policy.</li> <li>• CML complies with criteria (g) of PFB 3 by way of paragraph 2.2, bullet 7 and paragraph 2.3 bullet 7 of the Conflicts of Interest Policy.</li> </ul> <p>No actual or potential conflicts of interest have arisen in relation to the Benchmark.</p>
<b>PFB 4 – Control Framework for Administrators</b>	

✓	Chapters 3 ( <i>High level standards</i> ), 4 ( <i>Training and competence</i> ), 6 ( <i>Benchmark methodology and submission</i> ), 8 ( <i>Complaints procedures</i> ), 11 ( <i>Conflicts of interest</i> ), 14 ( <i>Whistleblowing policy</i> ) and the Submitter Code of Conduct satisfy the relevant criteria of PFB 4, including the additional criteria applicable to benchmarks based on submissions.
<b>PFB 5 – Internal Oversight</b>	
✓	The CML Oversight Committee provides the requisite oversight of all aspects of the Benchmark determination process and therefore satisfies the requirements of PFB 5.
<b>PFB 6 – Benchmark Design</b>	
✓	<p>The design of CML’s Benchmark is designed to provide an accurate and reliable representation of actual market conditions and satisfies the criteria set out in PFB 6. In particular, CML’s Benchmark design takes into account a number of factors, including:</p> <ul style="list-style-type: none"> <li>• the minimum number of participants required to accurately determine the Benchmark;</li> <li>• the size and liquidity of the relevant market;</li> <li>• the relative size of the underlying market in relation to the volume of trading in the market that references the Benchmark;</li> <li>• the distribution of trading among market participants;</li> <li>• market dynamics; and</li> <li>• professional and expert judgment within associated industries worldwide.</li> </ul>
<b>PFB 7 – Data Sufficiency</b>	
✓	The methodology of the CML Benchmark meets the criteria of PFB 7 on data sufficiency as the Benchmark is based on prices that have been formed by the forces of supply and demand and is, accordingly, a credible indicator of the price of rhodium.
<b>PFB 8 – Hierarchy of Data Inputs</b>	
✓	The CML Benchmark methodology is publicly available. The CML Benchmark relies on the following hierarchy of data inputs which are designed to endure the quality and integrity of the Benchmark: (i) transactions executed through CML’s platform; (ii) bid and offer data on the CML trading system; and (iii) expert judgement. CML’s hierarchy of data inputs meets all relevant criteria under PFB 8.
<b>PFB 9 – Transparency of Benchmark Determination</b>	
✓	CML publishes with each Benchmark determination an explanation to enable Members to understand how the determination was made including setting out the net volume of buying and selling and the extent to which expert judgment has been relied upon. Accordingly, CML satisfies the relevant criteria of PFB 9.
<b>PFB 10 – Periodic Review</b>	
✓	The CML Benchmark methodology is reviewed at least annually which is consistent with the requirement of PFB 10.
<b>PFB 11 – Content of the Methodology</b>	
✓	CML publishes the methodology used for the Benchmark. The published methodology satisfies criteria (a) through (h) of PFB 11.

<b>PFB 12 – Changes to Methodology</b>	
✓	The procedures for making changes to the Benchmark methodology are set out in Chapter 3 ( <i>High level standards</i> ) and paragraph 1.6 of Chapter 6 ( <i>Benchmark methodology and submissions</i> ) of the CML Code of Conduct and Compliance Manual as well as in the Oversight Committee Terms of Reference. These procedures ensure compliance with the requirements of PFB 12.
<b>PFB 13 – Transition</b>	
✓	CML's Transition Manual meets the relevant criteria of PFB 13.  The CML Transition Manual sets out the procedures to be applied in the event of the cessation of the Benchmark. Where possible, CML will continue to provide the Benchmark price for six months to allow for the orderly transition to a new benchmark administrator or an alternative benchmark.
<b>PFB 14 – Submitter Code of conduct</b>	
✓	The CML Submitter Code of Conduct meets all relevant criteria under PFB 14. In particular, CML publishes the Submitter Code of Conduct and only uses submissions from entities that have adhered to the CML Submitter Code of Conduct. Members are required by paragraph 1.4 to confirm their adherence to the CML Submitter Code of Conduct annually and whenever there is a change to it.  Given that the Benchmark is based on bids and offers, CML does not believe that the prohibition on submissions from front office staff is applicable. However, CML does require submissions from front office staff to be subject to adequate internal oversight and verification procedures (see paragraph 8.1(b) of the Submitter Code of Conduct).
<b>PFB 15 – Internal Controls over Data Collection</b>	
✓	CML's policies and procedures for collecting, transmitting and maintaining the integrity of data meet the requirements of PFB 15.
<b>PFB 16 – Complaints Procedure</b>	
✓	The CML Complaints Procedures as set out in Chapter 8 of the CML Code of Conduct and Compliance Manual meet the requirements of PFB 16.
<b>PFB 17 – Audits</b>	
✓	The CML Benchmark has undergone a first periodic review as required by PFB 17 in June and July 2017. The CML Benchmark will be subject to such a review in 2018.
<b>PFB 18 – Audit Trail</b>	
✓	CML maintains a Record Keeping Policy that satisfies the relevant criteria of PFB 18.
<b>PFB 19 – Cooperation with Regulatory Authority</b>	
✓	CML is prepared to submit or otherwise make available relevant documents and audit trails to a regulatory authority as required. CML has not received a request for documents or audit trails from a regulatory authority.