



Spark Commodities Pte Ltd

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## **Spark Governance and Procedures**

**Version: 2.1**

**Last Updated: 2 April 2020**

<b>Introduction</b>	<b>1</b>
<b>Organisation and Business</b>	<b>1</b>
<b>Spark Principles</b>	<b>2</b>
<b>Our Price Assessments</b>	<b>2</b>
Process to Spark price assessment creation	3
Who can submit data?	3
Platform Permissions	3
<b>Price Assessments and Data</b>	<b>3</b>
Spark Methodology Documentation	3
How do we assess Spark prices and how can I submit?	3
Verification of Submitted data	4
Order of importance for collated data informing the Spark Price Assessment	4
Assessment guidelines	4
Corrections to assessments	4
<b>Spark Governance</b>	<b>5</b>
Ethics and compliance	5
Review of methodology	5
Changes to methodology	5
Discontinuing Assessments	6
Skills and Training	6
Compliance	6
Complaints Procedure	6
Data Security and Confidentiality	6
Audit	7
Alignment with IOSCO Principles	7
Revision History	8

## 1. Introduction

The Principles for Oil Price Reporting Agencies ('PRA Principles'), as published by the International Organization of Securities Commissions (IOSCO), encourages PRAs to implement the PRA Principles to any assessment of any commodity that is used to reference the terms of a derivative contract. In response to the PRA Principles, all Spark Commodities ("Spark") assessments have been designed to align to the required Principles.

This documentation outlines our Governance procedures and we are constantly looking to improve on how we develop in this area. Suggestions and feedback are welcome and can be sent to [governance@sparkcommodities.com](mailto:governance@sparkcommodities.com).

Please see below to check how each section of this Governance document aligns to our IOSCO Alignment Document:

Governance Section	IOSCO Alignment Document
Organisation and business	See "Methodology"
Spark principles	See "Methodology" and "Supervision of Assessors"
Our price assessments	See "Market data used in price assessments"
Price assessments and data	See "Methodology", "Market data used in price assessments" and "Quality and integrity of price assessments"
Spark governance	See "Audit trails", "Changes to a Methodology", "Market data used in price assessments", "Conflicts of Interests", "Complaints", "Cooperation with regulatory authorities" and "External Auditing"

## 2. Organisation and Business

Spark has a robust governance structure in place to ensure its business is conducted responsibly, effectively, and with due regard for all stakeholders' interests.

Neither Spark nor its shareholders participate in the markets Spark assesses. Independence, neutrality and impartiality are essential to Spark. Spark has no financial interest in the price of the products or commodities on which it reports. Spark's aim is to simply reflect market value.

Spark methodologies are designed to clearly describe:

- a. The specifications of the commodity Spark is assessing.
- b. The way Spark collects relevant market assessments.
- c. How these market assessments are used to create the relevant Spark Assessment Price.

### 3. Spark Principles

Spark believes that commodity pricing should be based on direct and independent submissions from approved and active market players. This is delivered via, an easily accessible platform that is intuitive, with price assessments based on a clear and fit-for-purpose methodology. Spark does not employ market-specific assessors as it advocates for data-driven assessments that are not susceptible to individual judgement. The Spark approach, which sets us apart from traditional PRAs, is suitable to render high quality price assessments in both liquid and illiquid markets.

Spark endeavours to standardise our approach where possible whilst allowing for market-specific methodologies when required. This allows Spark to:

- Produce reliable, fair, data-driven and representative price assessments.
- Provide mechanisms to prevent and limit market manipulation.
- Provide greater levels of transparency for illiquid markets by providing a growing amount of anonymised, relevant data.
- Avoid selective reporting where possible whilst recognising industry dynamics and lack of liquidity.

Spark assessments are automatically calculated based on a rigorous methodology as outlined below. No individual assessors are employed, as market participants can directly enter price information on the platform.

By following a data-centric method that relies predominantly on technology, Spark removes human error and judgement as much as possible from its price assessments. Data submissions that fall outside of the defined ranges can be reviewed and flagged before price dissemination takes place.

### 4. Our Price Assessments

Existing Spark Contracts align to IOSCO principles for Price Reporting Agencies.

#### LNG Freight:

Spark25S (Spot)  
Spark25F (Front Month)  
Spark25Fo (Forwards)  
Spark30S (Spot)  
Spark30F (Front Month)  
Spark30Fo (Forwards)

Spark methodologies are designed to produce price assessments that are representative of market value of the particular markets to which they relate and are available for review on the website.

### **Process to Spark price assessment creation**

Spark assessment designs are based on extensive conversations and meetings with market participants and brokers in order to assess and verify demand and preferred specifications.

Price Assessment Testing:

- a. Release for testing with market participants and brokers: feedback received and assessments refined where needed.
- b. Release of assessment for market acceptance testing in the form of trial period.

Assessments are launched after completion of the testing phase with all specifications made available to all users via the platform.

### **Who can submit data?**

Only active, professional market players and brokers that have been approved by Spark can submit data. This ensures that only relevant data is provided adding further transparency to the market. New users must go through the onboarding process and will not be eligible to submit data unless verified by Spark.

The verification process shall determine the role of the user within their market and their rights to contribute to any assessments.

### **Platform Permissions**

Spark manages a strict permission system for users of the platform. Access to the information on the platform is restricted by permission rights.

## **5. Price Assessments and Data**

### **Spark Methodology Documentation**

Spark Methodology documentation is available on the [website](#). It describes the specifications and processes that Spark adheres to in collecting data and the methods Spark uses to calculate assessments from its data inputs.

### **How do we assess Spark prices and how can I submit?**

Anonymised transactions and price assessments against a standardised methodology are received from a wide range of relevant market participants and

brokers during the assessment windows. Please see Spark's separate [LNG Freight Methodology](#) documents for further details.

- a. Unless for specific reasons, price assessments can only be submitted via the platform to allow for a more robust auditing system where required.
- b. All market and broker based submission data is captured and is available for full auditing purposes.
- c. All data is anonymous and each submitter is categorised to better understand the organisation type behind the corresponding submission.

### **Verification of Submitted data**

A static range is in place to limit unrepresentative assessments. Limits can only be passed if submitters acknowledge that their assessment is outside of the expected norms. These "exceptions" will be clearly recorded and are fully auditable if and when required. This is supported by a hard range. Spark shall make the ranges clear on the relevant Spark Methodology documents available on both the platform and the website.

Spark shall conduct randomised checks on data entry.

Each submitter's data will be fully auditable for compliance purposes if required by law or by a relevant company representative (e.g Compliance Officer).

A verification of the submitter's profile and role within the market is required prior to that submitter obtaining submission access.

### **Order of importance for collated data informing the Spark Price Assessment**

In a liquid market, price assessments shall be based on transactions when appropriate and available. In illiquid markets, or whenever there are no transactions reported, assessments shall primarily be based on indications/bids and offers, assessments by brokers and market players, and other market information such as spreads to more liquid markets.

### **Assessment guidelines**

- Provide transaction price when deals have been executed that meet the methodology and specifications.
- Provide a full range of data submissions (min/max/average) to those that submit.
- Remove human bias and subjective decision making where possible.
- Provide comparative data for similar contracts if applicable.
- Provide clarity on the number of submitters for price assessments.
- All inputs are fully auditable where required.

### **Corrections to assessments**

Spark will on occasion publish corrections to price assessments after the publication date. These errors may arise from clerical mistakes or miscalculation errors amongst other reasons. Spark will not allow retrospective submissions after

the price assessment window has closed. Any changes or revisions will take place within two working days following the closing of the submission window. Spark will send a notification of any changes to its previous assessments via email to all users with an explanation as to why a correction was implemented.

## 6. Spark Governance

### Ethics and compliance

- Secure and fully auditable data trials.
- Protected anonymity.
- Data-driven price publication.

All Spark employees must confirm (annually and at the beginning of their employment) that they have no personal or financial conflicts of interest that may limit or be perceived to limit their ability to perform their role in an objective, fair and effective manner. These interests may include, but are not limited to, financial holdings in commodity based companies and relatives employed in the commodities industry. Any potential conflicts of interest must be declared both when joining the Company and on an annual basis.

### Review of methodology

Regular, annual review process for all Spark methodologies to ensure compatibility with market requirements consisting of:

- a. Data reviews
- b. Market player discussions
- c. Annual survey of Spark users

Any market player or submitter can at any time highlight any concerns via e-mail to [governance@sparkcommodities.com](mailto:governance@sparkcommodities.com) or in writing to Spark Commodities, 3 Pickering Street, 03-53 Nankin Row, Singapore 048660.

Any findings shall be clearly documented with the rationale for change clearly stated.

### Changes to methodology

Spark follows a clear process for introducing or making changes to its methodologies. This process is based on full transparency and communication with industry stakeholders aimed at gaining market acceptance for any proposed introduction or change to methodology.

All changes must be clearly communicated along with the corresponding rationale.

There will be a clear consultation period of at least one month for the market to assess and review suggested changes. Multiple opportunities will be given to the market players to comment and feedback on any proposed changes.

Publication of changes and comments surrounding such changes will be made public by default. Such requests shall not be made public if expressly requested by the submitting Party.

### **Discontinuing Assessments**

There may be occasions when a Spark assessment ceases to be relevant to the marketplace. Where possible, Spark will provide at least 120 days' notice of its intention to discontinue an assessment. If an unforeseen event causes a severe disruption in a particular market, the timeline for discontinuing an assessment (sometimes on a temporary basis) may be shortened. Spark will communicate a proposal to discontinue an assessment by formally writing to all users.

### **Skills and Training**

Spark hires suitable candidates from a wide range of backgrounds. All employees are required to go through an onboarding process to ensure that they have a thorough and adequate understanding of Spark business processes and procedures.

### **Compliance**

At the beginning of each calendar year, all Spark employees must complete conflict of interest disclosure questionnaires and adhere to other compliance-related requirements.

### **Complaints Procedure**

The Complaints Procedure has been designed so that anyone may submit a complaint regarding any issue relating to the services Spark provides. Details of the process are highlighted below:

Since we try to be as transparent and clear as possible, any Spark users can raise any concerns or complaints by sending an email to [governance@sparkcommodities.com](mailto:governance@sparkcommodities.com). Spark commits to responding within 5 business days and will investigate accordingly. Investigation findings will be shared within 30 business days. If the User is dissatisfied with Spark's handling of the complaint, then they may contact an independent third party.

The information relating to the concern or complaint shall be kept on file for future review where required.

Spark retains all information pertaining to each complaint for a minimum period of five (5) years.

### **Data Security and Confidentiality**

All our data is hosted on Google's Cloud Platform which is compliant with industry best practice. Spark follows their recommendations regarding data security.

The confidentiality of any data submitted to Spark will be preserved unless required by law in line with the Spark Privacy Policy.

All Spark employees are prohibited from communicating non-public, sensitive information on Spark matters outside of the company. This restriction includes discussions with non-Spark employees about customers, business strategy and product development. Employees are advised to avoid displaying confidential information on laptop computers or other written material, and to refrain from verbal discussions in public areas such as elevators, public transportation, and airports. This also applies to the use of electronic communications such as external emails and instant messages. All Spark employees are forbidden from divulging confidential information, including the names of confidential sources, outside of Spark, unless required by law.

### **Audit**

All relevant information relating to the price assessment will be retained for a minimum of five (5) years. This shall include any exclusions of data.

Spark intends to have an annual independent external audit to ensure compliance with IOSCO principles and our stated methodology.

Spark agrees to share data with the relevant authorities and regulators where required by law.

### **Alignment with IOSCO Principles**

Our methodology, governance process and data policies are aligned to IOSCO principles. Please find the link to the relevant IOSCO principles below:

<https://www.iosco.org/library/pubdocs/pdf/IOSCOPD391.pdf>



## Revision History

Latest Changes:

2 April 2020: added clarification on corrections policy