

Shanghai Metals Market Benchmark Submitter Code of Conduct

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1. Introduction

- 1.1. The "Principles for Financial Benchmarks" published by the International Organization of Securities Commissions ("IOSCO") on 17 July 2013 ("the Principles") represent an overarching framework of Principles for use in financial markets. These Principles cover:
- Governance principles aimed at protecting the integrity of the benchmark determination process and dealing with conflicts of interest.
 - Benchmark quality principles aimed at promoting the quality and integrity of benchmark determinations through the application of design factors.
 - Methodology principles aimed at promoting the quality and integrity of methodologies by setting out minimum information that should be addressed within a methodology.
 - Accountability mechanisms such as a complaints process, documentation requirements and audit reviews.
- 1.2. The Principles set out certain obligations for benchmark administrators. This is usually the organisation or legal person that has primary responsibility for all aspects of the benchmark determination process, including the development, administration, calculation and dissemination of products and services classified as "benchmarks" pursuant to the definition of benchmark¹ in the IOSCO Principles.
- 1.3. Shanghai Metals Market (hereafter "SMM") considers that the SMM Benchmarks ("the Benchmarks" or "SMM Benchmarks") are benchmarks as defined in the IOSCO Principles, and therefore that it is a benchmark administrator for the purpose of the development, administration, calculation and dissemination of the Benchmarks.
- 1.4. To be compliant with the IOSCO Principles, administrators are required to develop guidelines for submitters (a "Submitter Code of Conduct", hereafter "Code of Conduct"), which should be made available to stakeholders and any relevant regulatory authorities. These guidelines set out principles for submitters submitting data for the purposes of calculation of the Benchmarks, in line with the IOSCO Principles.
- 1.5. SMM considers any party that provides information in connection with the determination of the Benchmarks to be a submitter of data to the SMM Benchmarks, and therefore subject to the requirements set out in this Code of Conduct. Such information may include but is not limited to prices, estimates, values and rates relating to the iron ore market.²
- 1.6. The submitter providing data to the SMM Benchmarks should observe the requirements set out in this Code of Conduct, to ensure the integrity and quality of the data submitted to SMM. The IOSCO Principles state that submitters should communicate to the administrator on an annual basis their adherence with the provisions of this Code of Conduct.

¹ The IOSCO Principles defines Benchmarks as:

"Prices, rates, Benchmarks or figures that are:

- a) Made available to users, whether free of charge or on payment;
- b) Calculated periodically, entirely or partially by the application of a formula or another method of calculation to, or an assessment of the value of, one or more underlying assets, prices or certain other data, including estimated prices, rates or other values, or surveys; and
- c) Used for reference for purposes that include one or more of the following:
 - determining the interest payable, or other sums due, under loan agreements or under other financial contracts or instruments;
 - determining the price at which a financial instrument may be bought or sold or traded or redeemed, or the value of a financial instrument; and/or
 - measuring the performance of a financial instrument"

² This excludes data sourced from Regulated Markets or Exchanges with mandatory post-trade transparency requirements as described in the IOSCO Principles. "Regulated Market or Exchange" is defined within the IOSCO Principles as: "A market or exchange that is regulated and/or supervised by a Regulatory Authority".

- 1.7. Submitters should be aware that the identity of SMM's submitters will be released to regulators, should they make such a request.
- 1.8. This Code of Conduct is owned by the SMM Benchmark Oversight Committee ("the Committee") and is reviewed as required, and at least annually, by the Committee.

2. Submitter's Data Input Procedures

Submission Guidelines

- 2.1. Each submitter should provide SMM with all the relevant data created on each trade date in accordance with the relevant submissions agreements and on a best efforts basis.
- 2.2. The submitter should submit the details of every relevant transaction, bid or offer. SMM does not wish the submitter to exercise Expert Judgement or to undertake estimations of prices.
- 2.3. SMM prefers to receive submissions of data into the Benchmark via secured electronic transmission channels. Submitters experiencing issues transferring information through this method may submit the data through alternative methods such as via telephone.
- 2.4. If you encounter any problems with submitting data, please contact SMM on committee@smm.cn in order to assist you.
- 2.5. Submitters who have foreseen that they will in part or in whole suspend or terminate contributions to the calculation of the Benchmarks, should where possible notify SMM at least thirty days before that action takes place.
- 2.6. SMM expects submitters to be consistent and to have appropriate procedures to ensure continuity of submissions, and therefore to not cease submissions on a temporary basis.

3. Organisational arrangements

Submitter Governance Policy

- 3.1. The submitter must inform SMM of the names, roles, responsibilities and contact details of the senior officer responsible for the submitter's data submission process, and of any officer authorised to sign off and send the submitter's submission, including the management / reporting lines of all submitters.
- 3.2. The submitter should put in place internal governance policies to ensure:
 - Employees hold the appropriate expertise and competency within the submitter to submit data, and are appropriately trained.
 - The employees involved in the submission of data are made aware of this Code of Conduct and have received appropriate training to understand both the Code of Conduct and best market practice. This should be extended to all employees if relevant.
 - Adequate monitoring, conflicts of interest, audit, disciplinary and complaint management policies and arrangements are in place and that all staff involved in the submission or management of benchmark inputs are fully aware of these.

Conflicts of Interest Arrangements

- 3.3. The submitter should put in place effective arrangements to manage any conflicts of interest that may arise from the submission process. Examples of arrangements that may give rise to conflicts of interest include:

- Lack of physical separation between employees involved in the submitting process and the trading desk;
- Remuneration policies which might directly or indirectly incentivise employees to influence or manipulate submissions;
- Segregation of duties which may lead to employees inappropriately influencing the data submitted.
- Employees dealing / participating in the markets from which data is submitted to SMM.

Systems and Controls Arrangements

3.4. The submitter's internal arrangements should include:

- Details of who may submit data to SMM;
- The documentation of sign-off and / or pre-submission processes;
- Business and technology continuity arrangements;
- Other necessary contingency arrangements.

Benchmark Manipulation Detection Arrangements

3.5. The submitter should put in place appropriate monitoring and surveillance arrangements to detect and evaluate suspicious data inputs. This includes monitoring of transactions and estimates, to ensure the bona fide³ nature of such inputs.

3.6. The submitter must report to SMM (and if relevant, to the appropriate regulatory authority), suspicious behaviour which attempts, or succeeds in, manipulation of any SMM Benchmark (e.g. collusion between parties in order to manipulate a SMM Benchmark).

3.7. The submitter should establish whistleblowing arrangements that allow the anonymous reporting of potential manipulation of data submitted for the calculation of the SMM Benchmarks, or any other irregularity arising from the submission process, to appropriate senior employee and where appropriate, externally to relevant regulatory authorities.

4. Record Keeping Management

4.1. The submitter should document their Benchmarks submission methodology, including articulating eligible data input criteria and the use of expert judgement.

4.2. The submitter should retain an audit trail⁴ recording all submissions, including hard copy and electronic records, for a minimum of five years. Data to be retained should include records on:

- The procedures and methodologies governing the submission of data inputs;
- The identity of any external persons who submitted or otherwise generated any of the data inputs or information provided to SMM;
- The names and roles of individuals responsible for submission and submission oversight;
- Relevant communications between submitting parties;

³ The IOSCO Principles defines bona fide as: "...data where the parties submitting the data have executed, or are prepared to execute, transactions generating such data and the concluded transaction were executed at arm's-length from each other".

⁴ IOSCO Principles defines Audit trail as: "...the documentation and retention of all relevant data, Submissions, other information, judgments (including the rationale for any exclusions of data), analysis and identities of Submitters used in the Benchmark- setting process for an appropriate period."

- Any interaction with SMM;
- Any queries received regarding data inputs or information provided to the SMM;
- Declaration of any conflicts of interests and aggregate exposures to SMM Benchmark-related instruments;
- Exposures of individual traders/desks to Benchmarks-related instruments;
- Findings of external/internal audits, when available, related to submission remedial actions and progress in implementing them.

5. Cooperation with SMM and Regulators

- 5.1. Submitters must cooperate with by SMM or any regulatory authority in the course of an investigation relating to the SMM Benchmarks. Firms submitting data must provide records in a prompt manner upon request.
- 5.2. Submitters are required to certify in writing their understanding and compliance with this Code of Conduct on an annual basis and additionally whenever there is a change to the Code of Conduct. SMM maintains a register of these certifications. Failure to certify compliance with the Code of Conduct may result in sanction of a contributor or ultimately removal from the panel of submitters.
- 5.3. Submitters must undertake to give SMM at least three months' notice of their intention to withdraw from the panel of any SMM Benchmarks, in order to allow SMM the necessary time to identify and bring on board suitable replacement(s). The exception to this shall be in *force majeure* events.

Annex 1- IOSCO Benchmark Principles Relevant to Submitters

IOSCO Principle	IOSCO Principles for Financial Benchmarks Text
8	<p>An Administrator should establish and Publish or Make Available clear guidelines regarding the hierarchy of data inputs and exercise of Expert Judgment used for the determination of Benchmarks. In general, the hierarchy of data inputs should include:</p> <p>a) Where a Benchmark is dependent upon Submissions, the Submitters' own concluded Arm's-length transactions in the underlying interest or related markets; b) Reported or observed concluded Arm's-length Transactions in the underlying interest; c) Reported or observed concluded Arm's-length Transactions in related markets; d) Firm (executable) bids and offers; and e) Other market information or Expert Judgments.</p>
14	<p>The Administrator should develop guidelines for Submitters ("Submitter Code of Conduct"), which should be available to Commodities Submitter any relevant Regulatory Authorities, if any and Published or Made Available to Stakeholders.</p> <p>The Administrator should only use inputs or Submissions from entities which adhere to the Submitter Code of Conduct and the Administrator should appropriately monitor and record adherence from Submitters. The Administrator should require Submitters to confirm adherence to the Submitter Code of Conduct annually and whenever a change to the Submitter Code of Conduct has occurred.</p> <p>The Administrator's oversight function should be responsible for the continuing review and oversight of the Submitter Code of Conduct.</p> <p>The Submitter Code of Conduct should address:</p> <ol style="list-style-type: none"> i. Procedures for submitting inputs, including Methodologies to determine the type of eligible inputs, in line with the Administrator's Methodologies; ii. Procedures to detect and evaluate suspicious inputs or transactions, including inter-group transactions, and to ensure the Bona Fide nature of such inputs, where appropriate; iii. Policies guiding and detailing the use of Expert Judgment, including documentation requirements; iv. Record keeping policies; v. Pre-Submission validation of inputs, and procedures for multiple reviews by senior employee to check inputs; vi. Training, including training with respect to any relevant regulation (covering Benchmark regulation or any market abuse regime); vii. Suspicious Submission reporting; viii. Roles and responsibilities of key personnel and accountability lines; ix. Internal sign off procedures by management for submitting inputs; x. Whistle blowing policies (in line with Principle 4); and xi. Conflicts of interest procedures and policies, including prohibitions on the Submission of data from Front Office Functions unless the Administrator is satisfied that there are adequate internal oversight and verification procedures for Front Office Function Submissions of data to an Administrator (including safeguards and supervision to address possible conflicts of interests as per paragraphs (v) and (ix) above), the physical separation of employees and reporting lines where appropriate, the consideration of how to identify, disclose, manage, mitigate and avoid existing or potential incentives to manipulate or otherwise influence data inputs (whether or not in order to influence the Benchmark levels), including, without limitation, through appropriate remuneration policies and by effectively addressing conflicts of interest which may exist between the submitter's submission

	activities (including all employee who perform or otherwise participate in Benchmark submission responsibilities), and any other business of the submitter or any of its affiliates or any of their respective clients or customers.
18	<p>Submitters should retain records for five years subject to applicable national legal or regulatory requirements on:</p> <ul style="list-style-type: none"> a) The procedures and Methodologies governing the Submission of inputs; b) The identity of any other person who submitted or otherwise generated any of the data or information provided to the Administrator; c) Names and roles of individuals responsible for Submission and Submission oversight; d) Relevant communications between submitting parties; e) Any interaction with the Administrator; f) Any queries received regarding data or information provided to the Administrator; g) Declaration of any conflicts of interests and aggregate exposures to Benchmark related instruments; h) Exposures of individual traders/desks to Benchmark related instruments in order to facilitate audits and investigations; <p>and</p> <ul style="list-style-type: none"> i) Findings of external/internal audits, when available, related to Benchmark Submission remedial actions and progress in Implementing them.