

Oil Price Reporting Agencies

Report by

IEA, IEF, OPEC and IOSCO

to

G20 Finance Ministers, October 2011

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Executive Summary

1. Price Reporting Agencies (PRAs) are privately owned publishers and information providers who report oil prices transacted in physical and some derivative oil markets, and give an informed assessment of oil price levels at distinct points in time. PRAs also report news stories relevant to the oil market.
2. The methodologies used by the PRAs analysed in this Report¹ (Platts, Argus Media, Asia Petroleum Price Index (APPI), and ICIS London Oil Report) show considerable variation. The methods of reporting data range from the almost entirely subjective approach adopted by ICIS, based on the first-hand extensive trading experience of its reporters, to the almost entirely mechanical approach of APPI based on data submitted in writing to an accounting firm by a panel of traders. The two most significant PRAs in the oil market, Argus and Platts, use a combination of mechanistic analysis and judgement.
3. PRAs willingly describe their methodologies in detail, and insist that they adhere to these methodologies. However, judgment inevitably enters into the application of some methodologies, because crude oil qualities, cargo size, vessels, ports and the creditworthiness of buyers and sellers vary from transaction to transaction.
4. On individual days the different methodologies used by the PRAs can cause the price reported by one PRA to differ from that reported by another PRA for the same crude oil benchmark. There is no evidence to suggest that there is a consistent upward or downward bias of any one PRA's reported data compared with another.
5. Averaged over lengthy time periods, the differences among prices reported by different PRAs for the same crude oil grade is usually substantially less than \$1.00/bbl. In the case of the key benchmark grade of "Dated Brent" this difference is about \$0.01/bbl. In the case of other benchmarks, such as Dubai and Tapis, the differences over time can be more substantial. A significant component of this difference can be accounted for by the fact that PRAs use different delivery periods when assessing prices. After correcting for this important disparity, the differences in average prices reported by various PRAs remain less than \$1.00/bbl for major crude streams other than Tapis.
6. On any given day, however, the differences in prices reported by different PRAs for the same crude oil grade can be substantial, even when allowance is made for the different delivery periods considered. This variation occurs even

¹ See Acknowledgement section for important details regarding the preparation of this report.

in the case of the forward 21-Day BFOE market, which is closely aligned to the very visible price traded on the regulated futures exchanges, ICE and CME NYMEX. The 21-Day BFOE price published by the PRAs and time-stamped at 16.30 hours can differ substantially not only from each other but from the one-minute marker price reported by ICE. The exception is the price published by ICIS which employs the ICE one-minute marker directly for the purpose of establishing its 21-Day BFOE assessment.

7. Many industry respondents to this study said they view the work of the PRAs to be of a high quality, even if they criticized a particular methodology used by one or another of the PRAs. However, a minority of companies consulted for this study consider that some of the PRAs exercise too much power over the market. Some market participants expressed frustration that there is no one to whom they can appeal when they believe a PRA's judgement is wrong.
8. Amongst the PRAs, Platts prices are perceived to be firmly entrenched in the contractual fabric of the industry and it has the largest customer base followed by Argus. There is considerable inertia in the industry that sees even companies that are highly critical of Platts and its methodologies continuing to use it as a price reference source in their deals.
9. Even some of Platts' strongest detractors do not feel able to cease using Platts. These companies argue that they cannot cease to use Platts because they have long term legacy contracts based on Platts, and the short and long term derivative instruments trading in the market are also based on Platts. Adopting a different price source, they say, would give the company contractual basis risk and risk when hedging physical contract prices in the derivative markets.
10. The reluctance of market participants to use publications other than Platts as a price source for sales contracts, and of governments and national oil companies to use alternative PRAs for tax reference, profit sharing and cost recovery pricing is considered to be a potential barrier to entry for new and existing PRAs trying to compete with Platts.
11. Platts is criticised for imposing on the market reporting methodologies that influence the way the industry trades. This is particularly the case with the "Platts Window" representing a specified period of time where market participants approved by Platts who have expressed an intention to participate in the window in advance submit bids and offers for particular grades of crude oil in either full or partial cargoes within a specified period of time either via telephone, instant messenger or the eWindow, the latter of which uses technology provided by the Intercontinental Exchange, Inc. (ICE). Platts will use only data submitted formally to it in the Platts Window to compile its price

quotations. Traders who wish their deals to be included in Platts assessments must deal in a manner and at a time that meets Platts requirements; otherwise their deal will not be taken into consideration in Platts' price assessment. In this respect, the findings of the Consultant's² report raise the possibility of whether the Platts eWindow can be characterized as a trading platform, thereby act as avenue for price discovery. Platts maintains that the eWindow "is an on-line tool that facilitates communication between Platts market reporters and market participants during the data gathering phase of the Platts' Market-on-Close (MOC) oil price assessment process" and that "all trade execution activity takes place on the platform operated by, and subject to, the trading rules of, Inter Continental Exchange (ICE)". However, to provide a definitive answer this issue warrants further consideration.

12. Platts has taken the lead in adding new grades to their influential Dated Brent (actually Dated BFOE) and 21-Day BFOE assessment methodologies, in order to improve liquidity. Further changes to these price quotation methodologies are envisaged by Platts. Platts has since made an 'editorial' decision to upgrade its methodologies, reflected in Dated Brent assessment cargos loading 10-25 days from date of publication. A number of companies wish to resist some of these changes, but do not feel there is a forum in which they can do so. Others praised Platts for taking the lead in establishing and adapting its methodology because there is no industry forum in which prices can be discussed amongst companies without the appearance of collusion. Platts stated "it does not see itself fulfilling any kind of regulatory role. All of its policies, methodologies and actions are motivated by a desire to publish price assessments that are reflective of market value".
13. The majority of companies interviewed stated that they would prefer to see the PRAs regulated. However, there was no consensus on precisely what should be regulated and by whom. Some would like to see the PRAs audited to ensure that they are applying their own methodologies fairly and consistently. Some would like to see the precise methodologies regulated so that the PRAs could not change their methodologies without the approval of an independent entity. At the same time, most companies consulted considered that it would be too expensive and cumbersome to regulate PRAs. Furthermore, some respondents said that financial regulators typically do not have the specialized expertise to regulate this very technical area of the business. Many respondents expressed the view that bad regulation is worse than no regulation at all.

² The four organisations referred to above ("the Sponsors") appointed Mrs. Elizabeth Bossley and Dr. John Gault ("the Consultants") to construct the report requested by the G20.

14. PRAs attempt to minimize the possibility that market participants use fraudulent or other manipulative procedures to influence prices. PRAs argue that their methodologies and their judgments are intended to weed out questionable transactions, trades that are not truly “arm’s length”, and bids or offers that do not legitimately represent market prices. However, PRAs often can observe only one part of a transaction, since offsetting transactions need not be reported to PRAs and there is no obligation on market participants to submit all relevant deals for consideration by a particular PRA.
15. As the request by the G-20 was considered to be fact-finding in nature, no recommendations have been included in the report. However, the IOs noted the recommendations made by the consultants, and agreed that further consideration, verification and consultations with relevant stakeholders was needed before arriving at any specific recommendations.

Background to the report

1. The G20 Seoul Summit Leaders' Declaration on November 11 – 12, 2010, requested "the IEF, IEA, OPEC and IOSCO to produce a preliminary joint report on how the oil spot market prices are assessed by oil price reporting agencies (“PRAs”) and how this affects the transparency and functioning of oil markets”.
2. The four organisations appointed Mrs. Elizabeth Bossley and Dr. John Gault (“the Consultants”) to prepare a report based on an agreed Terms of Reference (see annex).
3. In preparing the Report, the Consultants interviewed a representative sample of companies and other entities that use the price quotations of the PRAs, including oil majors, national oil companies, banks, trading houses and independent oil producers and refiners. In addition, the Consultants interviewed three regulated exchanges (“the Exchanges”) whose contracts are used by the oil industry as a price reference point. These are ICE Europe (“ICE”), CME NYMEX (“NYMEX”) and the Dubai Mercantile Exchange (“DME”). The Consultants also contacted thirty four other entities who either failed to respond or declined to take part in the study. All meetings, telephone conversations and questionnaire responses were conducted under the Chatham House Rule.³ The category of companies who responded to this Consultants questions were:

³ "When a meeting or part thereof, is held under the Chatham House Rule, participants are free to use the information received, but neither the identity nor the affiliation of the speaker (s), nor that of any other participant, may be revealed

- a. Four PRAs;
- b. Three banks;
- c. One broker;
- d. Three exchanges;
- e. Three oil majors;
- f. Three trading companies;
- g. One refiner;
- h. One independent oil company; and,
- i. Two national oil companies.

Price Reporting Agencies (PRAs) and benchmark crudes

4. Price Reporting Agencies (PRAs) are privately owned publishers and information providers who report oil prices transacted in physical and some derivative oil markets, give an informed assessment of oil price levels at distinct points in time, even when no actual deals have been transacted. PRAs also report news stories relevant to the oil market. A wide variety of market participants rely on PRA price reports, such as large oil producers, smaller independent producers, refiners, traders and taxation authorities.
5. The PRAs that have been chosen for analysis, based on their prominence in the market are Platts, Argus Media, Asia Petroleum Price Index (APPI), and ICIS London Oil Report (LOR). Other PRAs exist, but oil industry participants and government fiscal agencies use Argus and Platts most extensively for their oil pricing needs. APPI and ICIS are included in this report for comparative purposes when appropriate.
6. Hundreds of different grades of crude oil are produced around the world. The majority of these grades are traded using a price formula that relates their market value to that of one of the key benchmark grades.
7. The definition of a “benchmark” grade of crude oil used for the purposes of this report is a grade of crude oil, the price of which is used as a reference point in establishing the price of other grades of crude oil.
8. While the report focuses on Brent crude, the range of crude oil benchmarks examined includes:
 - a. West Texas Intermediate (“WTI”);
 - b. The Argus Sour Crude Index (“ASCI”);

- c. Brent Blend, or more correctly the basket of Brent, Forties, Oseberg and Ekofisk (“BFOE”);
- d. Dubai and Oman;
- e. Tapis and Minas;
- f. East Siberia-Pacific Ocean Blend (“ESPO”).

Transparency and reliability of price assessment process

9. The methodologies used by the PRAs analysed in this Report (APPI, Argus, ICIS and Platts) show considerable variation. The methods of reporting data range from the almost entirely subjective approach adopted by ICIS, based on the first-hand extensive trading experience of its reporters, to the almost entirely mechanical approach of APPI based on data submitted in writing to an accounting firm by a panel of traders. The two most significant PRAs in the oil market, Argus and Platts, use a combination of mechanistic analysis and judgement.
10. PRAs willingly describe their methodologies in detail, and insist that they adhere to these methodologies. However, judgment inevitably enters into the application of some methodologies, because crude oil qualities, cargo size, vessels, ports and the creditworthiness of buyers and sellers vary from transaction to transaction. Additionally, both Argus and Platts attempt to provide a comparable price for a wide range of different grades of oil at a series of single points in time. Even the most frequently traded benchmark grades do not always trade in cargo-sized lots to coincide with these price assessment timings, which have been chosen by the PRAs to reflect the most active times in the trading day. There are a number of grades where trading in partials is integral to price formation, this includes Brent (BFOE), Dubai and Oman, and Tapis and Minas. Trading in partials can serve the purpose of increasing the number of trades over a particular assessment period, particularly where there is low daily production, however this does open the possibility that the price of partials and cargoes for the same grade traded at the same time can diverge, introducing an additional element of judgement in interpolating between the cargo and partials price.
11. The two publications attempt to resolve this lack of deal evidence slightly differently:
 - a. Argus considers the grade differentials of deals done throughout the day and places them in the context of absolute market price levels and time differentials at their assessment cut-off points;

- b. Platts primarily considers deals done in the “Platts eWindow” for the region concerned and only those done on that standard basis which it specifies. More specifically, Platts states that it “considers information collected throughout the day in its assessment process, and then engages in a highly structured price assessment process with a particular focus in the half hour leading to 1630 pm London time”.
12. In both cases when there are no deals done the reporters must use their own judgement to interpolate, extrapolate and arrive at price assessments that the trading community would deem objectively reasonable.
13. In the case of Platts, even when deals are done, Platts may choose to ignore them if it considers that the deals are not repeatable and do not represent the “true” market price, or if a party to the transaction is currently sanctioned by Platts and excluded from the database. (On this point, Platts states that “it does not view a decision to remove a participant from the Window as a “sanction” but rather as a necessary step to further the goal that submitted bids, offers and transactions are reflective of market value.”) Parties that do not stand by a bid or offer transacted in the Window/eWindow are sanctioned by Platts first by having their indication excluded from the price formation database for the day in question and secondly by being denied the right to enter bids or offers into the Platts Window for a period of time determined by Platts.
14. The PRA reporters are well aware that traders have an incentive to push the market one way or another and do not generally believe everything they are told. For example, Platts relies on the experience and training of its staff to identify and exclude biased price views. It also pointed out that companies entering bids and offers in the eWindow must stand by these deals if another company hits the bid or lifts the offer. For its part, Argus stated its commitment to staff training and development to ensure that its reporters are adept at spotting and excluding biased price views. It also highlighted its bulletin boards and published lists of deals as a public discipline on market participants to further ensure that information submitted to it is genuine and correct, as well as providing significant additional transparency. Argus stated that it has “a global compliance framework, detailed policies, and conducts regular compliance audits in order to support and ensure the integrity of its processes and assessments.”
15. On individual days the different methodologies used by the PRAs can cause the price reported by one PRA to differ from that reported by another PRA for the same crude oil benchmark. There is no evidence to suggest that there is a consistent upward or downward bias of any one PRA’s reported data compared with another.

16. Averaged over lengthy time periods, the differences among prices reported by different PRAs for the same crude oil grade is usually substantially less than \$1.00/bbl. In the case of the key benchmark grade of “Dated Brent⁴” this difference is about \$0.01/bbl. In the case of other benchmarks, such as Dubai and Tapis, the differences over time can be more substantial. A significant component of this difference can be accounted for by the PRAs concerned assessing prices related to different delivery periods. Thus, an element of time differential must be considered in comparing the prices for any of the individual grades that are quoted by different PRAs. After correcting for this important disparity, the differences in average prices reported by various PRAs remain less than \$1.00/bbl for major crude streams other than Tapis.
17. On any given day, however, the differences in prices reported by different PRAs for the same crude oil grade can be substantial, even when allowance is made for the different delivery periods considered.

Results of industry interviews

18. Many industry respondents to the Consultants said they view the work of the PRAs to be of a high quality, even if they criticized a particular methodology used by one or another of the PRAs. However, a minority of companies consulted for this study consider that specific PRAs exercise too much power over the market. Some market participants expressed frustration that there is no one to whom they can appeal when they believe a PRA’s judgement is wrong.
19. Amongst the PRAs, Platts prices are perceived to be firmly entrenched in the contractual fabric of the industry and it holds the largest customer base, followed by Argus. The latter is said to be making inroads into Platts’ customer base, but there is considerable inertia in the industry that sees even companies that are highly critical of Platts and its methodologies continuing to use it as a price reference source in their deals.
20. Even some of Platts’ most vehement detractors do not feel able to cease using Platts. These companies argue that they cannot cease to use Platts because they have long term legacy contracts based on Platts, and the short and long term derivative instruments trading in the market are also based on Platts. Adopting a different price source, they say, would give the company

⁴ This grade is actually quoted as the lowest of Brent, Forties, Oseberg or Ekofisk Due to quality issues, this is typically the Forties grade.

- contractual basis risk and risk when hedging physical contract prices in the derivative markets.
21. The reluctance of market participants to use publications other than Platts as a price source for sales contracts, and of governments and national oil companies to use alternative PRAs for tax reference, profit sharing and cost recovery pricing is considered to be a potential barrier to entry for new and existing PRAs trying to compete with Platts.
 22. Platts is criticised for imposing on the market reporting methodologies that influence the way the industry trades. This is particularly the case with the so-called “Platts eWindow”. Platts will use only data submitted formally to it in the Platts Window to compile its price quotations. Traders who wish their deals to be included in Platts assessments must deal in the Platts way at the Platts time or their deal will not be taken into consideration in Platts’ price assessment. In this respect, the findings of the Consultant’s report raise the possibility of whether the Platts eWindow can be characterized as a trading platform, thereby act as avenue for price discovery. Platts maintains that the eWindow “is an on-line tool that facilitates communication between Platts market reporters and market participants during the data gathering phase of the Platts’ Market-on-Close (MOC) oil price assessment process” and that “all trade execution activity takes place on the platform operated by, and subject to, the trading rules of, Inter Continental Exchange (ICE)”. However, this issue may need further consideration.
 23. Platts has taken the lead in adding new grades to the industry’s influential Dated Brent (actually Dated BFOE) and 21-Day BFOE contracts. Further changes to these price quotation methodologies are envisaged by Platts. A number of companies wish to resist some of these changes, but do not feel there is a forum in which they can do so. Others praised Platts for taking the lead in establishing and adapting its methodology because there is no industry forum in which prices can be discussed amongst companies without the appearance of collusion.
 24. The majority of companies interviewed stated that they would prefer to see the PRAs regulated. However, there was no consensus on precisely what should be regulated and by whom. Some would like to see the PRAs audited to ensure that they are applying their own methodologies fairly and consistently. Some would like to see the precise methodologies regulated so that the PRAs could not change their methodologies without the approval of an independent entity.
 25. Most companies consulted considered that it would be too expensive and cumbersome for existing financial regulators to regulate PRAs. Some

respondents also said that financial regulators typically do not have the specialized expertise to regulate this very technical area of the business. Many respondents expressed the view that bad regulation is worse than no regulation at all.

26. None of the four PRAs considered has what the Consultants would judge to be an independent formal complaints procedure. In response to this question, all four PRAs made the observation that if the subscribers were unhappy with the prices published by the PRAs they could take their business elsewhere.

With regards to potential conflicts of interest, the two main PRAs, Argus and Platts, have more extensively documented procedures. However, they do not have external, independent audit of the price assessment process. Argus has recently introduced a formal complaints-handling process which is publicly available on its website. Since 2008 ICIS has had a Head of Price Reporting Quality, an individual with over 20 years experience of market reporting, who personally handles all methodology issues and complaints. Platts saw the position somewhat differently and said that “apart from day-to-day differences of opinion between traders or with Platt’s editors as to the published value of an assessment, genuine complaints that rise to the level of editorial management should properly be described as “occasional” and only sometimes before acrimonious”.

Potential for manipulation or collusion

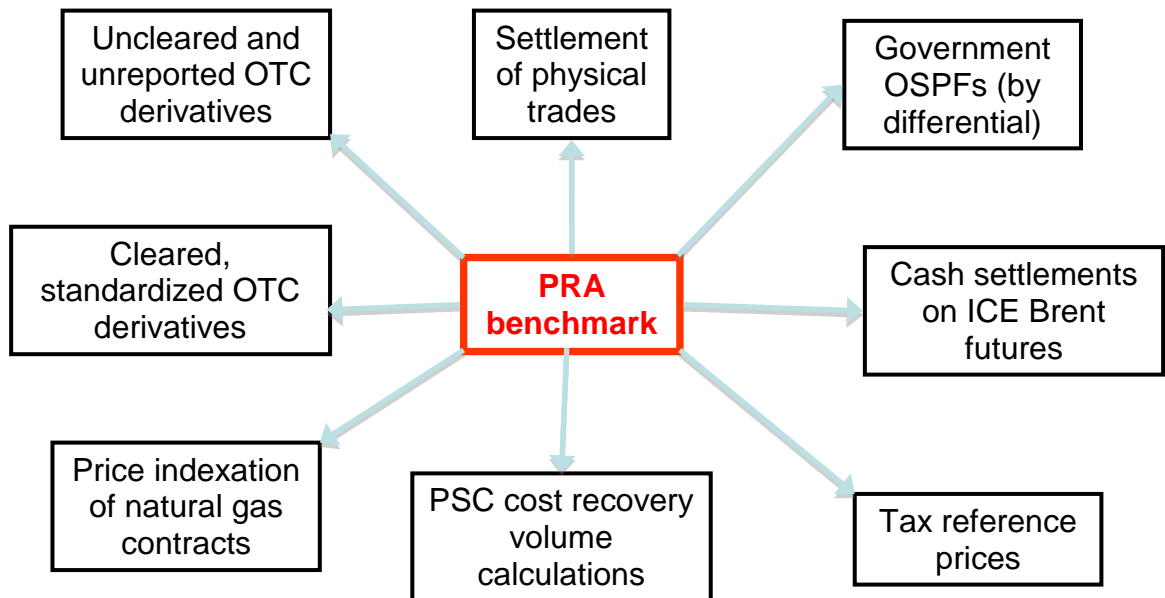
27. Platts is the most influential PRA operating in the oil market. Platts not only report prices, but it also ensures that the data it includes in its database is comparable; it will consider only transactions done in a particular way at the particular time of day, the so-called “Platts Window” that Platts defines. Market players who wish to have an input to the Platts database now transact their deals to conform to the Platts’ methodology and in the Platts Window, which creates an unintended bias in price formation.
28. Manipulation, were it to exist, may be considered to be a threat to the integrity of the price assessments.
29. The concentration of activity primarily into the half hour Platts Window⁵ period increases the potential that any market abuse would equally affect Platts, Argus and ICIS: all three PRAs report prices at the same times of day, so if deals are being artificially constructed to manipulate one publication, the

⁵ Platts states that it “considers information collected throughout the day in its assessment process, and then engages in a highly structured price assessment process with a particular focus in the half hour leading to 1630 pm London time”.

- impact is likely to be felt by all three. Although it is argued that a shorter period is easier to monitor.
30. Manipulating prices is not straightforward and may not always be successful because of the rules that Platts has introduced to prevent deals being reported that have not been tested by the wider market. Any such manipulation would also have to pass the scrutiny of the reporters from all three PRAs. These have all the other deals being done in the market against which to test the credibility of any suspect deal. This would likely limit the extent of any such collusion. Nevertheless, given the wide application of the Dated Brent quotation in particular, any prospect of manipulation is a cause for concern.
 31. PRAs attempt to minimize the possibility that market participants use fraudulent or other manipulative procedures to influence prices. PRAs argue that their methodologies and their judgments are intended to weed out questionable transactions, trades that are not truly “arm’s length”, and bids or offers that do not legitimately represent market prices. However, PRAs often can observe only one part of a transaction, since offsetting transactions need not be reported to PRAs. In this regard, Argus has stated that it “has explicit instructions in its internal policy documentation requiring detailed scrutiny and possible exclusion by market reporters of all anomalous transactions including any suspected of being part of a swap. Platts says that it “does not believe that any such collusion occurs as Platts’ methodology is designed to ensure that market activity be carried out by all participants independently, with standards that identify transactions that are not reflective of true market value”.
 32. There is no contractual, legal or regulatory requirement to report physical, forward or CFD transactions to PRAs. It is therefore open to companies to report only those deals that are in their own best interests for the rest of the market to see.
 33. The exception to this is reporting of pipeline transactions in the USA, where companies report through the back office function either all the deals they do or none of the deals they do. Companies are not permitted to cherry-pick the transactions they report.
 34. The PRAs do not have the capability of auditing the completeness of the data they receive.

Impact of PRA assessments on global petroleum trade

35. Benchmark oil prices assessed by PRAs are used as references for a wide variety of purposes (see Chart below). It is possible to measure or estimate the volumes or values of only a few of these uses. The deal evidence on which PRAs assess benchmark prices is only a tiny fraction of the global petroleum trade.
36. In spite of the relatively small physical production, volumes of benchmark crudes, their PRA-assessed prices are used as references for many physical and financial transactions, and also as tax, royalty, profit share and cost-recovery reference prices.
37. The number of actual transactions in physical benchmark crude oils is greater than the production volumes of the same crudes, because a single cargo may be traded many times, and thus the same cargo may enter into the price assessment process on multiple days. In the same way, crude oil and petroleum products priced by reference to a benchmark may be traded many times, so that the volume of transactions in physical crude linked to benchmark prices may be considerably larger than the volume of physical crude oil recorded as moving between regions.
38. Therefore, even at the narrowest level of physical trading, data are not reported (in terms of either volume or value) which would allow estimation of the impact of benchmark prices on physical oil markets. Even the ratio of oil volumes tied to PRA prices to oil volumes considered by PRAs when making assessments cannot be calculated.



39. In addition, PRA-assessed prices affect tax, royalty and other liabilities in many oil-producing countries. Government authorities use PRA-assessed prices either explicitly (as, for example, in the US State of Alaska) or implicitly (as with Norway's Petroleum Price Board's Norm Price) in determining prices for fiscal purposes. Furthermore, in countries using production-sharing contracts or agreements ("PSCs" or "PSAs"), the volume of cost-recovery and profit share oil can be calculated by reference to PRA-assessed prices, as specified in the contract. This may be the case whether or not the oil is exported from the producing jurisdiction.
40. PRA-assessed prices are also referenced in formulae for the pricing of natural gas in term contracts (for example, contracts for term delivery of Russian gas to European buyers). While such references most frequently refer to PRA-published prices for middle distillates and/or residual fuel oil, in some cases crude oil benchmarks may also be included in the formula.
41. The ICE Futures Europe market is directly linked to the assessments reported by the PRAs: the cash-settlement price at expiry of the contract is calculated by reference to the 21-Day BFOE market. Since there is no physical delivery under this futures contract, settlement of any position remaining open at the contract expiry is normally settled at this price.
42. Many OTC derivatives contracts (swaps and options) also reference PRA-assessed benchmark prices. Many long term deals are also priced by reference to Platts Dated Brent or Platts Dubai assessments. Although it is not possible to accurately assess the volumes or notional outstanding of OTC derivatives, limiting any detailed assessment on the impact on overall prices and also exchange-traded markets

Impact of price reporter benchmarks on financial market transparency and functioning

43. Prices assessed by PRAs are widely used as references for transactions in both physical and crude oil derivative markets, and as references for fiscal and contractual requirements. In other words, there is an interaction between the PRA assessments and the physical and derivatives markets (listed or OTC). Therefore, a reliable assessment of oil prices is needed for the smooth functioning of these markets.
44. Given widespread reliance on PRA-assessed prices, these are essential to the functioning of the oil industry as it is structured today, including OTC and exchange-traded derivative contracts that reference or rely on assessed prices.

45. With regard to market transparency, PRAs fill an important role of collecting, collating, editing and disseminating information. In the absence of PRAs, subscribers would have to rely on alternative sources of market information and would need to augment their own internal information collection and analysis activities.
46. Many industry participants and governments supplement PRA services with additional sources of information – including information made available from futures exchanges and from central counterparties offering OTC clearing services, ship chartering information, tanker-tracking information, specialized oil industry and business news media, proprietary consultants’ reports, and general news organizations.

Impacts of recent financial reforms, on the PRAs and spot price assessment

47. Most of the proposed financial reforms, such as those embodied in the Dodd-Frank Act (“Wall Street Reform and Consumer Protection Act”)⁶ signed into law in the United States in July 2010, have not yet to been implemented.
48. The legislative reforms likely to be most relevant to the energy industries include:
 - a. Requiring certain OTC derivatives trades to be cleared on regulated exchanges with standardized contracts; or,
 - b. Setting position limits on certain investors in derivatives; or,
 - c. Setting margin requirements for certain investors in derivatives.
49. The process of drafting and publishing proposed rules, holding hearings thereon and finalizing the rules has been time consuming, meaning that certain rulemaking deadlines may not be met. The financial reform process in the European Union is also likely to take time before the impact of new rules is fully understood.
50. The Dodd-Frank Act and proposed EU regulations would compel OTC derivatives to be registered (with Swap Data Repositories in Dodd-Frank terminology; Trade Repositories” in EMIR⁷ terminology) and certain swaps to be cleared on centralized clearing exchanges (Derivatives Clearing Organizations in Dodd-Frank terminology; Central Clearing Counterparties in EMIR).

⁶ Dodd-Frank Wall Street Reform and Consumer Protection Act:
<http://www.gpo.gov:80/fdsys/pkg/PLAW-111publ203/pdf/PLAW-111publ203.pdf>

⁷ European Market Infrastructure Regulation

51. These rules are intended to add to market transparency, since aggregated summaries of transactions and position data are intended to be published on an ex-post basis.
52. It should be noted that the proposed financial reforms in both the United States and the European Union are not aimed primarily at the activities of PRAs. The extent that the planned regulations, once implemented, might have an impact on PRAs, would largely be a by-product of efforts to regulate other activities.

Acknowledgements

53. The PRAs and Exchanges have been very generous with their data and their time in helping the Consultants answer the questions put to them by the Sponsors. This data has been processed and analysed and used throughout the report in support of the Consultants' conclusions.
54. The four organisations referred to above wish to express appreciation to all who participated in the report, to the PRAs for their cooperation and to Argus and Platts in particular for their patience in responding to the Consultants numerous detailed questions.
55. The four organisations also wish to thank the consultants for their efforts in preparing their report as the underlying work for this study. The opinions and judgements contained in their report have been expressed independently and represent either their own views or those of the industry respondents; as such, they cannot be verified by the international organizations.

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