



Lawrence P. Neal
President
Platts

2 Penn Plaza
New York, NY 10121-2298
212 904 6270 Tel
212 904 2099 Fax
larry_neal@platts.com

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ESMA and the EBA
Consultation Paper
Principles for Benchmarks-Setting processes in the EU

Via electronic mail to www.esma.europa.eu

Dear Sir/Madam,

On behalf of The McGraw-Hill Companies, Inc. and Platts, I thank you for the opportunity to respond to the questions in the Consultation Paper on Principles for Benchmarks-Setting Processes in the EU.

Platts, a division of The McGraw-Hill Companies, Inc., publishes news, fundamental data, pricing information and other analysis across commodity markets, including oil, natural gas, electricity, emissions, petrochemicals, coal and metals. Platts' products and services include real-time news and market alerts, price assessments and indices, newsletters and reports, maps, conferences and events.

At Platts we support ESMA's and the EBA's initiative and contribution to reform reference rate-setting mechanisms in the EU. Platts also fully recognizes the important need for confidence among all stakeholders in the mechanisms, integrity and outcomes associated with financial benchmarks.

As to potential oversight of benchmarks in the physical commodity markets, Platts believes that a self-governing Code of Conduct, in line with the provisions of principles such as those already defined by IOSCO for the oil markets, represents the appropriate degree of oversight.

Consistent with Platts' role as an impartial and independent publisher rather than a financial entity, its price assessments are used by market participants at their own volition. Some of these assessments achieve benchmark status in their respective markets. Platts knows from deep experience that building confidence in a benchmark often takes years, and that market adoption of a benchmark can neither be decreed nor mandated. A benchmark is the result of a free market choosing to trust and systematically use a particular value rather than it being mandated.

No benchmark is fixed or permanent and must continuously evolve to maintain its robustness and relevance in the marketplace. Platts regularly updates and improves its assessment methodologies to reflect changing market conditions and to ensure the market relevance of its benchmarks in the commodity markets.

We offer key points below for your consideration, particularly in reference to benchmarks in the global commodities markets:

- The Wheatley Review, the European Commission and your consultation paper recognize the wide variety of underlying assets or prices that may be referenced in a benchmark and that the design of benchmarks varies widely. The imposition of a one-size-fits-all regulatory approach to benchmarks would in Platts' view significantly reduce the amount and quality of data voluntarily provided by submitters. Raising the regulatory burden on data reporting activity, particularly on submitters, would likely cause a retreat by submitters from participation in the price assessment process. This would reduce the amount and quality of information supporting benchmarks, and would be highly detrimental to the effective functioning of the global commodities markets.
- Platts believes a benchmark provider should observe the highest standards of corporate governance and controls. Platts' price-assessment methods and practices, developed over many decades, are fully open to public view and are monitored by a compliance department independent of the editorial staff. Platts takes seriously its efforts to maintain the integrity of its pricing methods and to publish price assessments that reflect market values. Platts has worked on a self-regulatory regime with other price reporting agencies (PRAs) to create a Code of Conduct that we believe represents a sound framework for balancing the needs for appropriate governance, controls and processes among PRAs with the need for editorial independence and flexibility.
- On 5 October 2012, IOSCO published a set of general principles for oil PRAs to enhance the integrity and credibility of benchmarks. These principles were subsequently endorsed by the G20 leadership. Platts engaged actively in the IOSCO work on oil price reporting along with other market stakeholders, and embarked on a program of implementation.
- Platts believes the IOSCO principles for oil PRAs, and the Code of Conduct developed by the PRAs to govern price reporting practices across all commodity markets, deserves the opportunity in this case to prove their value before additional regulatory initiatives are established. The published summary of replies to the European Commission's consultation on indices which closed last November also indicates support for self-regulation or industry codes of conduct.

Platts is committed to enhancing confidence and transparency in key benchmarks and we fully welcome further engagement and review of our processes.

Respectfully,



Larry Neal
President
Platts
Enclosure