



Benchmark Statement

ICE Brent Index

February 2020

Created	14 Feb 2020
Last update	N/A First version
Name of the benchmark administrator	ICE Futures Europe ("IFEU")

1. Introduction

ICE Futures Europe (“IFEU” or “the Exchange”) is the Benchmark Administrator for the ICE Brent Index.

The ICE Brent Index represents the average price of trading in the prevailing North Sea¹ ‘cash’ or forward market in the relevant delivery month as reported and confirmed by industry media. Only published full cargo size (currently 600,000 barrels) trades and assessments are taken into consideration in the calculation. The ICE Brent Index is published by ICE Futures Europe on the day after expiry of the front month ICE Brent futures contract and used by the Exchange as the final cash settlement price.

More information on the ICE Brent Index can be found at: <https://www.theice.com/futures-europe/brent>

This benchmark statement has been created in accordance with Article 27 of the European Benchmark Regulation (“the EU BMR”)² and the supplementary delegated regulation (EU) 2018/1643³ on the content of benchmark statements.

IFEU has been registered as a Benchmark Administrator for purposes of Article 32 of the EU BMR with the FCA as the relevant competent authority.

¹ At the time of publication, the 5 North Sea oil grades were Brent, Forties, Oseberg, Ekofisk, and Troll (“BFOET”).

² <https://eur-lex.europa.eu/legal-content/EN/TXT/PDF/?uri=CELEX:32016R1011&from=EN>

³ Commission Delegated Regulation (EU) 2018/1643 of 13 July 2018 <https://eur-lex.europa.eu/legal-content/EN/TXT/PDF/?uri=OJ:L:2018:274:FULL&from=EN>

2. Benchmark Statement

	Relevant EU BMR or RTS provision	Requirement	IFEU's Response
General Disclosure Requirements			
1	RTS Art(1)(1)(b)	The benchmark statement shall state: (b) where available, the international securities identification number (ISIN) of the benchmark or benchmarks; alternatively, for a family of benchmarks, the statement may provide details of where the ISINs are publicly accessible free of charge;	ISINs are not currently assigned to the indices.
2	RTS Art(1)(1)(c)	The benchmark statement shall state: (c) whether the benchmark, or any benchmark in the family of benchmarks, is determined using contributions of input data;	The ICE Brent Index does not use contributions of input data.
3	RTS Art(1)(1)(d)	The benchmark statement shall state: (d) whether the benchmark or any benchmark in the family of benchmarks qualifies as one of the types of benchmarks listed under Title III of Regulation (EU) 2016/1011, including the specific provision by virtue of which the benchmark qualifies as that type.	The ICE Brent Index qualifies as a commodity benchmark under Article 19(1) of Regulation (EU) 2016/1011.
4	RTS Art(1)(2)(a)	In defining the market or economic reality, the benchmark statement shall include at least the following information:	(a) The market or economic reality that the ICE Brent Index intends to represent is described in the ICE Brent Index

		(a) a general description of the market or economic reality;	<p>Methodology document, which can be found, free of charge, on the ICE Website:</p> <p>https://www.theice.com/publicdocs/futures/ICE_Futures_Europe_Brent_Index.pdf</p> <p>ICE Brent futures positions open at expiry are cash settled via the ICE Brent Index. Typically, 60,000 to 65,000 lots are cash-settled in this way each month, the recent range being between 40,000 and 99,000 lots. This quantity has trended steadily upward since the Index was reformulated in 2018. Both the low and high figures are now higher than the comparable equivalents before the change.</p> <p>The average daily volume of trade in ICE Brent futures is over 1.1 million lots per day in 2020, with open interest standing at 2.5 million lots. In the year to date at the time of writing, an average of 38% of this open interest was held by commercial participants with the remainder distributed evenly among proprietary trading houses (18%), funds (20%), and banks (22%). This level of commercial participation, which is composed of companies from all around the globe, affirms the Brent contract's pre-eminence as the hedging instrument of choice for the oil production, refining and marketing industries.</p>
5	RTS Art(1)(2)(b)	<p>In defining the market or economic reality, the benchmark statement shall include at least the following information:</p> <p>(b) the geographical boundaries, if any, of the market or economic reality;</p>	(b) The ICE Brent Index is based on reported full-cargo expiry-day trades of a basket of North Sea crude oil grades and on certain derivatives thereon, specifically Exchange For Physical ("EFP") trades, inter-month spreads and Minute Markers.

			<p>There are no real geographical boundaries to the trade that feeds into the Brent Index, nor are there significant barriers to entry into the trade that shapes the Index. While the key inputs are cargoes, cargo time-spreads, and EFPs (trades in the differential between cargo and futures prices), the Index is also constructed from minute markers in which every trade of even a single futures contract counts. This has the effect of democratizing the price formation process and allows non physical players a way to participate and to express a price view.</p>
6	RTS Art(1)(2)(c)	<p>In defining the market or economic reality, the benchmark statement shall include at least the following information:</p> <p>(c) any other information that the administrator reasonably considers to be relevant or useful to help users or potential users of the benchmark to understand the relevant features of the market or economic reality, including at least the following elements insofar as reliable data on these elements is available:</p> <p>(i) information on actual or potential participants in the market;</p> <p>(ii) an indication of the size of the market or economic reality.</p>	<p>(c) (i) Participants in the market thus include the producers and end-users of the crude oil grades whose prices are used to form the Index. There are 20 to 40 active participants at any time, but there is no upper limit because North Sea crude oils, being seaborne, can be exported by ship to almost any destination where the economics support doing so. Cargoes have previously been delivered to every major continent. Participants also include any trader who executes a futures trade during the assessment window.</p> <p>(ii) For the purposes of the benchmark, the North Sea physical cargo market comprises of five grades, namely Brent, Forties, Oseberg, Ekofisk, and Troll, which are all loaded at ports within the area.</p> <p>Approximately 45 to 55 cargoes of all grades combined are produced each month. They can and do trade several times.</p> <p>The total number of data points relied on to compute the Index has risen steadily in recent times and is now typically in the region of 50 to 80 per expiry.</p>

7	EU BMR Art27(2)(g)	A benchmark statement shall contain at least: (g) the identification of potential limitations of the benchmark, including its operation in illiquid or fragmented markets and the possible concentration of inputs.	(g) The benchmark’s reliance on cargo trades and ancillary trades related to these limits the total potential number of available inputs, although it also ties the Index closely to the underlying cargo market in which the same cargo can trade repeatedly and thus provide multiple inputs. A recent (2018) reformulation of the methodology increased the number of inputs used. The same reformulation limited the effects of concentration by breaking the Index down into five intraday “mini-Indices”. The inclusion of minute marker screen trades ensures the ICE Brent Index will always be calculable even in thin cargo liquidity.
8	RTS Art(1)(3)(a)	In defining the potential limitations of the benchmark and the circumstances in which the measurement of the market or economic reality may become unreliable, the benchmark statement shall include at least: (a) a description of the circumstances in which the administrator would lack sufficient input data to determine the benchmark in accordance with the methodology;	(a) The Index is based on cargo trades, spreads, EFPs, minute markers and reporters’ assessments. In the absence of any of the first three, the Index could be derived from the last two, for which respectively only screen trades and market indications (as opposed to trades) would be required.
9	RTS Art(1)(3)(b)	In defining the potential limitations of the benchmark and the circumstances in which the measurement of the market or economic reality may become unreliable, the benchmark statement shall include at least: (b) where relevant, a description of instances	(b) There are no foreseeable circumstances in which the Index becomes less reliable, as it can be calculated using only two of the five classes of input data, one of which is screen trade activity in the largest oil futures contract in the world and the other of which requires only indications and no actual trades. The Exchange has carried out BCP exercises wherein the Index

		when the accuracy and reliability of the methodology used for determining the benchmark can no longer be ensured, such as when the administrator deems the liquidity in the underlying market as insufficient;	was able to be accurately derived even with a large number of inputs missing.
10	RTS Art(1)(3)(c)	In defining the potential limitations of the benchmark and the circumstances in which the measurement of the market or economic reality may become unreliable, the benchmark statement shall include at least: (c) any other information that the administrator reasonably considers to be relevant or useful to help users and potential users to understand the circumstances in which the measurement of the market or economic reality may become unreliable, including a description of what might constitute an exceptional market event.	(c) None. If there were no cargo trades, bids or offers and no screen activity either (neither of which would eventuate except in a severe disruption), by virtue of the Exchange's Rules, the Index could be calculated based on the most recently observed cargo prices, not limited to those of the expiry day.
11	RTS Art(1)(4)	In specifying the controls and rules that govern any exercise of judgement or discretion by the administrator or any contributors in calculating the benchmark or benchmarks, the benchmark statement shall include an outline of each step of the process for any ex post evaluation of the use of discretion, together with a clear indication of the position of any person(s) responsible for carrying out the evaluations.	Rule L.4(d) of Exchange Regulations states the following: <i>The Exchange may from time to time substitute different reporting services for those originally determined or make such other changes in the method of calculation of the ICE Brent Index as it considers necessary for the purpose above mentioned having regard to market circumstances.</i> This is a contingency arrangement and to date has not had to be used by the Exchange.

12	RTS Art(1)(5)	In specifying the procedures for review of the methodology, the benchmark statement shall at least outline the procedures for public consultation on any material changes to the methodology.	The procedure for public consultation on any material changes to the ICE Brent Index methodology is outline in the ICE Brent Index Consultation Policy, available on the ICE website: https://www.theice.com/publicdocs/IFEU_Consultation_Policy.pdf
Content			
13	EU BMR Art27(1)(a)	The benchmark statement shall: (a) clearly and unambiguously define the market or economic reality measured by the benchmark and the circumstances in which such measurement may become unreliable;	Please refer to responses 4-6.
14	EU BMR Art27(1)(b)	The benchmark statement shall: (b) lay down technical specifications that clearly and unambiguously identify the elements of the calculation of the benchmark in relation to which discretion may be exercised, the criteria applicable to the exercise of such discretion and the position of the persons that can exercise discretion, and how such discretion may be subsequently evaluated;	Rule L.4(d) of Exchange Regulations states the following: <i>The Exchange may from time to time substitute different reporting services for those originally determined or make such other changes in the method of calculation of the ICE Brent Index as it considers necessary for the purpose above mentioned having regard to market circumstances.</i> This is a contingency arrangement and to date has not had to be used by the Exchange.
15	EU BMR Art27(1)(c)	The benchmark statement shall: (c) provide notice of the possibility that factors, including external factors beyond the control of	Any material change in the ICE Brent Index is subject to member consultation, review by the BIAC and the approval of the IFEU

		the administrator, may necessitate changes to, or the cessation of, the benchmark; and	Board as per the IFEU Consultation Policy published on the ICE website: https://www.theice.com/publicdocs/IFEU_Consultation_Policy.pdf The Exchange would only cease to publish the ICE Brent Index if there was no open interest in the Brent Futures market. The market would be informed of the cessation of the ICE Brent Index via a Circular published on the ICE website.
16	EU BMR Art27(1)(d)	The benchmark statement shall: (d) advise users that changes to, or the cessation of, the benchmark may have an impact upon the financial contracts and financial instruments that reference the benchmark or the measurement of the performance of investment funds.	Users of the ICE Brent Index, including other licensed users, are advised that any changes to, or the cessation of, the ICE Brent Index may have an impact upon any financial contracts and financial instruments that reference the ICE Brent Index.
17	EU BMR Art27(2)(a)	A benchmark statement shall contain at least: (a) the definitions for all key terms relating to the benchmark	The relevant definitions can be found in the ICE Brent Index Calculation Methodology document, published on the ICE website: https://www.theice.com/publicdocs/futures/ICE_Futures_Europe_Brent_Index.pdf
18	EU BMR Art27(2)(b)	A benchmark statement shall contain at least: (b) the rationale for adopting the benchmark methodology and procedures for the review and approval of the methodology;	Please refer to the response to 15.
19	EU BMR Art27(2)(c)	A benchmark statement shall contain at least: (c) the criteria and procedures used to determine the benchmark, including a description of the input data, the priority given to different types of input data, the minimum data needed to	As detailed in the attached ICE Brent Index Calculation Methodology document, the ICE Brent Index is based on the average of 5 inputs: front month outright cargo trades, front month spread trades, full cargo second month EFP trades, volume weighted second month minute markers and

		determine a benchmark, the use of any models or methods of extrapolation and any procedure for rebalancing the constituents of a benchmark's index;	<p>independent assessments from ICIS. These are aggregated into a single figure for the final ICE Brent Index figure from the five standalone valuations at each of the sampling points. Each of those five figures is calculated by averaging the sum of:</p> <ol style="list-style-type: none"> 1) The volume weighted minute marker for the second month ICE Brent Futures contract at the sampling time; and the sum of a weighted average of full cargo second month EFP trades and a weighted average of full cargo spread trades (between first and second months) in the Cash BFOE market, in the 30 minute period concluding at the sampling point in question; 2) that same volume weighted minute marker to the sum of the straight averages of the independent assessment(s) specified in the Index methodology for the second month EFP value and the spread between the first and second month Cash BFOE markets at the sampling point; and 3) a weighted average of any full cargo first month Cash BFOE trades (if any) in the 5 minute period concluding at the sampling point in question. <p>Any material change in the Brent Index is subject to member consultation, review by the BIAC and the approval of the IFEU Board as per the IFEU Consultation Policy published on the ICE website:</p> <p>https://www.theice.com/publicdocs/IFEU_Consultation_Policy.pdf</p>
20	EU BMR Art27(2)(d)	A benchmark statement shall contain at least: (d) the controls and rules that govern any	Please refer to the responses to 11 and 14

		exercise of judgement or discretion by the administrator or any contributors, to ensure consistency in the use of such judgement or discretion;	
21	EU BMR Art27(2)(e)	A benchmark statement shall contain at least: (e) the procedures which govern the determination of the benchmark in periods of stress or periods where transaction data sources may be insufficient, inaccurate or unreliable and the potential limitations of the benchmark in such periods;	Please refer to the responses to 8, 9 and 10
22	EU BMR Art27(2)(f)	A benchmark statement shall contain at least: (f) the procedures for dealing with errors in input data or in the determination of the benchmark, including when a redetermination of the benchmark is required; and	<p>The ICE Brent Index Restatement Policy is available on the ICE website:</p> <p>https://www.theice.com/publicdocs/ICE_Brent_Index_Restatement_Policy.pdf</p> <p>IFEU strives to provide information of the highest accuracy to its customers and to conduct its business with integrity. However, IFEU recognises that errors may still occur from time to time in the calculation of the Index, both at the providers of Benchmark Submissions and at IFEU, and that it is possible that information may come to light after the publication of the Index to warrant its restatement.</p> <p>The ICE Brent Index will be restated in the event of IFEU becoming aware, by the end of the London business day following publication, of an error of input, calculation, or output that has resulted in an error in the published value of the Index.</p>

		<p>Errors that do not affect the stated Index (such as transposition or omission of inputs, or errors that change the value by less than a whole US dollar cent) will not be restated. This is to avoid the potential confusion to the market whereby the Index is restated but at an unaltered value.</p> <p>Subject to the foregoing, the Index will be restated, providing the quantity of lots cash settled by the Index was greater than zero, if any the following circumstances arises:</p> <ul style="list-style-type: none"> • Error by the Exchange in calculating its value; or • Error in, or omission from, the data used by the Exchange in calculating the Index; or • Ex post adjustment of any benchmark submission or component; or • Where the Exchange has grounds to doubt the correctness or representativeness of any element of the data used in the calculation <p>In the event that the Exchange becomes aware of a possible error requiring investigation:</p> <ul style="list-style-type: none"> • The Exchange will publish a message to the market noting that the Index is being reviewed under this Restatement Policy; • Exchange Compliance will investigate;
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			<ul style="list-style-type: none"> Following the investigation, a Circular will be published noting that the error has been looked into and that the Index is either to be changed, giving the new value, or will stand. The relevant fields in the Report Centre will be updated by Compliance if necessary.
23	EU BMR Art27(2)(g)	A benchmark statement shall contain at least: (g) the identification of potential limitations of the benchmark, including its operation in illiquid or fragmented markets and the possible concentration of inputs.	Please refer to the response to 7.
Specific disclosure requirements for regulated-data benchmarks			
24	RTS Art2	In addition to the information to be included pursuant to Article 1, for a regulated-data benchmark or, where applicable, family of regulated-data benchmarks, the benchmark statement shall state at least the following in its description of the input data: (a) the sources of the input data used	Not applicable to the ICE Brent Index.
Specific disclosure requirements for interest rate benchmarks			
25	RTS Art(3)	Specific disclosure requirements for interest rate benchmarks	Not applicable to the ICE Brent Index.
Specific disclosure requirements for commodity benchmarks			
26	RTS Art(4)(a)	In addition to the information to be included pursuant to Article 1, for a commodity benchmark or, where applicable, family of commodity	Annex II to Regulation (EU) 2016/1011 applies to the ICE Brent Index.

		benchmarks, the benchmark statement shall at least: (a) indicate whether the requirements of Title II of, or Annex II to, Regulation (EU) 2016/1011 apply to the benchmark, or family of benchmarks as prescribed by Article 19 of that Regulation;	
27	RTS Art(4)(b)	(b) include an explanation as to why Title II of or, as the case may be, Annex II to that Regulation applies;	The ICE Brent Index is a non-critical commodity Benchmark. It is not a regulated-data benchmark nor is it based on submissions by contributors. Therefore, pursuant to the eligibility criteria in Article 19 of the Regulation, Annex II to the Regulation applies to the Brent Index.
28	RTS Art(4)(c)	(c) include in the definitions of key terms a concise description of the criteria that define the relevant underlying physical commodity;	This is included in the ICE Brent Index Calculation Methodology document published on the ICE website: https://www.theice.com/publicdocs/futures/ICE_Futures_Europe_Brent_Index.pdf
29	RTS Art(4)(d)	(d) where applicable, indicate where the explanations are published that the administrator is required to publish under paragraph 7 of Annex II to that Regulation.	The relevant explanations are in the ICE Brent Index Calculation Methodology document published on the ICE website: https://www.theice.com/publicdocs/futures/ICE_Futures_Europe_Brent_Index.pdf
Specific disclosure requirements for critical benchmarks			
30	RTS Art(5)	Specific disclosure requirements for critical benchmarks	Not applicable for the ICE Brent Index.