



Shanghai Ganglian E-Commerce Holdings Co., Ltd's Compliance Summary Statement for the Iron Ore Index Based on the IOSCO Principles for Financial Benchmarks

December 2018

Section I Methodology and Overview of Control Framework

1. Introduction

The International Organization of Securities Commissions (hereafter "IOSCO") has published its final Principles on Financial Benchmarks (FR 07/13) ¹ in July 2013, which summarizes and discusses the comments received by the IOSCO on *Consultation Report: Principles for Financial Benchmarks* published in April 2013. The objective of these final Principles is to create an overarching framework of principles for benchmarks used in financial markets.

In order to comply with the IOSCO Principles, Shanghai Ganglian E-Commerce Holdings Co., Ltd. (hereinafter referred to "SGEC" or "Mysteel" or "we") has been working on the design and implementation of efficient, effective and comprehensive control policies and procedures. These control framework, policies, and procedures have been strictly required, monitored, and reviewed in Mysteel's daily operation.

We invited Deloitte Touche Tohmatsu Certified Public Accountants LLP as the Practitioner of Assurance over our relevant activities by the date of November 30, 2018.

2. Disclaimer

Mysteel is committed to adherence and alignment to the IOSCO Principles for Financial Benchmarks. Throughout 2018 Mysteel has focussed on improving all of its internal systems and processes in order to provide the highest standards of IOSCO compliance for the iron ore indices it administers. Mysteel is committed to continuous improvement of the indices across the business for all of the principles.

This document is accurate at the date of publication and provides a summary only of the full report, which is available upon request to Mysteel in writing. Mysteel may make changes to it and to the index policies, in order to comply with changes in benchmark regulations. It applies both to existing Mysteel Iron Ore Indices and to any new indices, which will be fully documented based on the Mysteel overarching framework.

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¹ The final report of the IOSCO Principles is published at <https://www.iosco.org/library/pubdocs/pdf/IOSCOPD415.pdf>.

3. Overview of Mysteel

3.1 Organization and Business

SGEC was established in 2000 in Shanghai, one of China's main financial and trade centres and has over 3,000 employees. SGEC has domestic offices across China as well as international offices with the main branch in Singapore and further employees and entities in the UK, Japan, Hong Kong and Australia. The company comprises brands such as "Mysteel", "Mymetal", "Myagric", "Oilchem", "100NJZ" etc.

SGEC is an independent third-party information platform, and adheres to the highest standards and principles of independence, objectivity, truth and accuracy. Focussing on commodities, SGEC covers a variety of commodity markets ranging from ferrous metals (mainly steel, iron ore and coking coal), non-ferrous metals, energy and chemicals, agricultural products, building materials and many other industries.

3.2 General Control Framework

Mysteel is the administrator of the Mysteel indices, and has full responsibility for these indices. Within Mysteel, responsibility for the indices, together with the required "Oversight" responsibilities (as expressed within the IOSCO Principles) are held by the Mysteel Index Management Committee, a committee of Mysteel staff not involved in the day to day management or calculation of the indices, as required by the Principles.

Day to day responsibility for index management is entrusted to the Mysteel Index Department (index-related calculation) and the Mysteel Information Team (data collection).

Mysteel has developed various policies and procedures, applied to its Iron Ore Indices, to ensure compliance with the Principles. Part of these is a control and oversight framework designed to promote the quality and integrity of the determination process for the indices. Additionally, Mysteel maintains a clear Complaints Policy, which allows users and stakeholders to provide their input, to initiate investigations to be undertaken (if required) and to receive a considered response.

4. Scope of Assessments

The Mysteel Forward Iron Ore Indices (MIODEX) represent a tradable fixed price among miners, traders and steel mills in the iron ore market. The suite of indices includes both seaborne (SEADDEX) and portside indices (PORTDEX) across 17 ports in China.

- Mysteel Seaborne Forward Iron Ore Indices
- Mysteel Seaborne Forward Iron Ore Premium Indices
- Mysteel Seaborne Forward Iron Ore Brand Prices
- Mysteel Iron Ore Portside Indices
- Mysteel Iron Ore Portside Brand Prices

In total, 56 Iron Ore Indices are included in the assurance of the compliance for the IOSCO Principles by November 30, 2018.

5. Mysteel's Approach to Implementation of the IOSCO Principles for Financial Benchmarks

5.1 Governance

Mysteel has developed appropriate governance plans to protect the integrity of benchmarking and address related conflicts of interest. Corresponding governance policies and internal control processes are designed to address the five major aspects of overall accountability, third-party policies, conflicts of interest, control framework, and internal oversight.

5.2 Benchmark Design

Mysteel has dedicated policies and procedures in place to regulate the benchmark determination process. To guarantee the quality of the benchmark, Mysteel has developed a robust methodology that details key factors, such as benchmark design, data sufficiency, hierarchy of data input, transparency of benchmark determination and periodic review.

5.3 Quality of the Methodology

Mysteel has developed a standardised and robust index methodology to ensure that the indices are determined, maintained and operated in accordance with IOSCO Standards and Principles. The methodology ensures the indices reflect market price changes and provide market participants with a reliable index. The methodology details the entire process, from data collection, data storage, data screening, normalization and index determination.

5.4 Accountability

The Mysteel accountability mechanisms include policies related to the complaints process, documentation requirements and audit reviews. Mysteel has developed internal and external procedures and policies to monitor the process from collection to publication of the index to ensure that the design and execution of the indices adhere to the principles set defined by the IOSCO.