

Minor Amendments to Market Rules

Rule Change Proposals, June 2015

Introduction

1. This paper puts forward three smaller rule change proposals for consultation.

Rule Change Proposal 1: Information provided to financial markets

Background

2. The GDT Market Rules provide that GDT may provide certain information to a recognised financial market which uses GDT winning prices to calculate their settlement price (Rule B4.4).
3. The wording of the current rule restricts the information to the specific products with the relevant winning prices.
4. For example, for the NZX WMP futures contract, the rule implies that information provided to NZX should be restricted to information on Fonterra's WMP Regular product for Contract 2 (since the NZX contract settles against the WMP Regular Contract 2 price).
5. In practice, however, as the range of derivative products increased information provided to NZX has for some time included the offer quantities and forecasts of all Fonterra products and all contract periods. This is because overall product mix is seen as relevant to assessing demand and supply dynamics of the products used to determine the settlement price for quoted derivatives.
6. GDT and its advisers are comfortable with this approach and consider that Rule B4.4 should be amended to reflect this practice.

Proposed rule change

7. GDT proposes to modify the wording of Rule B4.4 to be less prescriptive about the information that may be provided.
8. The proposed wording change is as follows:

4.4 Recognised financial markets

Where a financial instrument offered by a recognised financial market is settled by reference to the Winning Prices for a Product offered on the Trading Platform, GlobalDairyTrade may modify the application of certain rules in respect of access to information relating to Trading Events for the purpose of providing financial markets with access to the same information as participants on the Trading Platform relevant to assessing the price of the Product. Such modifications will be notified to the Advisory Board prior to taking effect and will be published on the Information Website.

Rule Change Proposal 2: Clarification on marketing information

Background

9. A key benefit of GDT for sellers is that they gain access to a global pool of bidders to whom they can market their products.
10. The GDT Market Rules (Rule C2.1) require GDT to provide the full list of bidders to each seller prior to each trading event but do not specify the information that can be provided along with the bidder names.
11. Experience has shown that simply providing a list of 650 or more bidders without any indication of what products they buy is not helpful from a marketing perspective.



12. Without contravening bidders' private information, it would assist the efficiency of GDT if sellers were able to target their marketing to buyers of the types of products offered by the seller on GDT.

Proposed new rule

13. GDT proposes to establish a new rule in the post-event section of the rules (section C.7) to clarify that GDT may provide sellers with lists of bidders who purchase the types of products they offer, as follows:

GlobalDairyTrade may provide aggregate bidder information to sellers

From time to time, GlobalDairyTrade may provide to a seller a list of the bidders who have previously purchased specific products offered on the platform, where:

- (a) Bidders are divided into quartile ranges of purchase quantities (i.e. largest 25%, upper middle 50 – 75%, lower middle 25 – 50%, and smallest 25%); and
- (b) The allocation into quartile ranges is based on each Bidder's purchase quantity of the product or products over a period of at least 12 months that ends at least 3 months prior to the date at which the list is compiled.

Explanatory Note: For the avoidance of doubt, the list will not provide the actual purchase quantity, names of sellers purchased from, or bidding data of any individual or group of bidders in one or more Trading Events.

Rule Change Proposal 3: Fee structure

Background

14. GDT charges transaction fees to sellers on a 'quantity offered' basis where the fee declines as cumulative offer quantity increases during the financial year.
15. The initial fee schedule was established in 2009, and was increased last year for the first time.
16. The current fees for standard products begin at \$30 USD/MT for the first 50,000 MT and reduce to \$5/MT for any quantity in excess of 250,000 MT per annum. Fees for approved lactose and whey products are charged at one half the rate charged for standard products.

Proposed rule change

17. GDT proposes to increase the fee for cumulative offer quantities in excess of 250,000 MT p.a. from the current level of \$5 USD/MT to \$10 USD/MT in the case of standard products and from \$2.50 USD/MT to \$5.00 USD/MT in the case of approved lactose and whey products.
18. It is proposed to amend Appendix 2 of the GDT Market Rules as follows:

Appendix 2: Fee Structure

The fee structure for Sellers offering Products on GlobalDairyTrade is as follows:

Seller Fees

		Standard Fee 100,000 USD	Lactose & Whey* 50,000 USD
Establishment Fee			
Transaction Fee	Offer Quantity (MT p.a.)**	USD/MT	USD/MT
Base fee (1 st step)	0 - 50,000	30.00	15.00
2 nd step	50,001 - 250,000	20.00	10.00
3 rd step	>250,000	10.00	5.00

* Available only for products approved by GDT. Seller may elect to include their whey and lactose products on standard fee structure. ** Offer quantity is defined as the seller's maximum supply quantities aggregated across the seller's relevant sales groups.

The Establishment Fee is payable at the time a person is accepted as a Seller Participant under Rule A1.5. A Seller's establishment fee is non-refundable and will be rebated against its initial transaction fees.

Transaction Fees are calculated on offer quantity (irrespective of sold quantity) and are cumulative during the financial year beginning 1 August and ending 31 July.

19. The higher fees would take effect from the beginning of GDT's financial year on 1 August 2015.

Submissions

20. GlobalDairyTrade invites submissions from any interested party on the proposed rule changes described above.
21. Submissions should be made in writing to help@globaldairytrade.info with "Submission on proposed rule change" in subject line.
22. Submissions close on **Tuesday 30 June 2015**. Consultation on submissions received will be completed by 15 July. If adopted, the new rules will be published late July and would become effective for Trading Event 145 on 4 August 2015.