

XSI-C Code Of Conduct  
Xeneta Shipping Index by Compass

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## Version History

Readers can access other versions of this document online when they become available on the Xeneta website ([www.xeneta.com](http://www.xeneta.com)) and on Compass Financial Technologies website ([www.compassft.com](http://www.compassft.com)).

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# 1 Introduction

## 1.1 Specificity of the Shipping Market

The container shipping market is at the foundation of global trade, representing approximately 60% of all global seaborne trade. Yet for all its importance and technological advances the pricing mechanisms of container shipping are relatively archaic. In fact almost 50% of all containers are shipped on long term contracts. These are contract negotiated via tenders usually run on an annual basis. Interestingly a good proportion of these contracts have clauses that allow the prices to be modified after the signature via the introduction of ad-hoc surcharges.

The other part of the market is sold via short term rates. These are rates quoted with a limited time validity often in terms of one to four weeks. In most cases these quotes are part of a legal agreement between the Buyer and the Seller. What is also interesting is that almost 50% of rates are negotiated directly between the shipper and the carrier while the other half is negotiated with the use of an intermediary Freight Forwarder.

What is clear is that at this point in time the availability of market transparency and financial instruments based on the ocean freight shipping is scarce and that there is therefore an almost non existent secondary market.

## 1.2 XSI-C Indices

**Xeneta Shipping Index by Compass** (*XSI-C*, the *Indices* or the *Index*) have been designed to provide benchmarks for rolling short-term Freight All Kind (FAK) rates valid for less than 32 days, for a 40' container. They are calculated daily and published at 4pm UK time by the Index Administrator Compass Financial Technologies.

The Index aims to benchmark the price of shipping a container between two specific geographical locations. The Index includes all charges and surcharges that need to be paid in order to ship a container between the two specified locations. The Index does not include any discretionary surcharge, any fee associated with a premium service, any additional cost due to pre or on carriage of containers or any charge incurred due to non-standard cargo (heavy goods, dangerous goods, ...)

As of November 25<sup>th</sup> 2021, the following XSI-C indices are computed and published:

XSI-C indices		
Index	Bloomberg Code	Refinitiv Code
XSI-C - North Europe to Far East	XSICNEFE Index	.XSICNEFE
XSI-C - US West Coast to Far East	XSICUWFE Index	.XSICUWFE
XSI-C - US East Coast to North Europe	XSICUENE Index	.XSICUENE
XSI-C - Far East to North Europe	XSICFENE Index	.XSICFENE
XSI-C - North Europe to US East Coast	XSICNEUE Index	.XSICNEUE
XSI-C - Far East to US West Coast	XSICFEUW Index	.XSICFEUW
XSI-C - North Europe to South America East Coast	XSICNESE Index	.XSICNESE
XSI-C - Far East to South America East Coast	XSICFESE Index	.XSICFESE

Table 1: Xeneta Shipping Index Compass - Publication Codes

## 1.3 Objective of XSI-C Code Of Conduct

The XSI-C Code Of Conduct outlines the norms, rules, responsibilities and proper practices of the Contributor and its employees in relation to the role of the Contributor of input data to compute XSI-C Indices.

The XSI-C Code of Conduct ensures compliance with the European Benchmark Regulation (BMR) issued by ESMA.

In relation to XSI-C indices computation, Xeneta is the Contributor and Compass Financial Technologies (France) acts as Benchmark Administrator and Index Calculation Agent for XSI-C Indices.

## 2 Description of the input data

XSI-C input data are the Xeneta short term rates. A Xeneta short term rate is a rate Xeneta receives from Freight Forwarders or Shippers (buyers). It is also a rate that has been provided by a Carrier (sellers) to a Freight Forwarder and Shipper (buyers). Xeneta never receives rates directly from the seller (Carriers) but only from the buyers. Xeneta does not request data from Carriers or interview the market. Xeneta extracts the data from the Buyers' rate management systems or receives the data forwarded from Buyers. The Buyers in turn have received this data from the Sellers. In practice rates are not shared between Buyers and Sellers ad hoc but are in the majority of the data received as part of a wider contract. More precisely rates are shared as part of a longer term contract where the rate is then updated on a weekly/monthly basis. In the vast majority of cases Xeneta also receives a clear contract number information and reference to said contract. While the rates are shared as part of a pre-existing contract there is however no guarantee that those rates would be executed or transacted upon.

### **Structure of the input data required by the Administrator and sent by the Contributor**

On every Index Business Day, the Contributor provides at 4pm London time an extraction of the data points present in the Contributor's system at 4pm London time and satisfying the requirements defined in XSI-C Methodology. The following fields should be available:

- *rateID*
- *IncorporationDatetime*
- *Origin*
- *Destination*
- *Tradelane*
- *EquipmentType*
- *CustomerID*
- *ServiceProviderID*
- *ContractLength*
- *StartValidityDate*
- *EndValidityDate*
- *isOutlier*
- *ChargeID*
- *Currency*
- *Value*

## **3 Contributor Framework**

### **3.1 The Contributor**

Xeneta, the world's largest ocean freight rate benchmarking platform acts as Contributor for XSI-C indices. Xeneta has the most exhaustive set of ocean freight rate data. The Contributor freight rate data collection and processing is in line with the highest quality standards.

The Contributor's responsibilities fall within the areas of governance, systems and controls, review, and oversight function to ensure reliability of the input data contributed to the Administrator.

The integrity and accuracy of the Administrator's benchmark determination process depends on the integrity and accuracy of the input data submitted by the Contributor. The Contributor is required to confirm adherence to the XSI-C Code Of Conduct annually and whenever a change to XSI-C Code Of Conduct occurs. Input data provided by the Contributor to the Index Administrator should be consistent with XSI-C methodology. The Contributor must have internal checks and reviews to ensure that it complies with the XSI-C Code Of Conduct.

The Contributor must establish and maintain adequate and effective governance arrangements for the input data contribution process. This is designed to ensure that The Contributor provides all relevant input data

In addition to acting as Contributor for the Indices, Xeneta also sells SaaS products which are based on aggregated shipping prices. Said prices are based on the same raw data as the here discussed indexes. Customers cannot however access the raw data and therefore cannot reproduce the Indices, but have access to products with the data updated in real time (and therefore potentially earlier than the Administrator).

### **3.2 Administrator's requirement for conformed input data**

The Contributor shall provide all input data in line with the constraints defined in the XSI-C Methodology. It includes in particular providing all input data with the specific fields related to the trade lanes defined in XSI-C Methodology.

### **3.3 Role of the Contributor in the Index determination process**

1. The Contributor is required on each Index Calculation Date, to provide all relevant input data to the XSI-C Administrator in accordance with the contractual obligations as contained within the XSI-C Code Of Conduct
2. The Contributor shall submit all Input Data in a timely and consistent manner
3. The Contributor's submission should be sufficient to accurately and reliably represent the input to the benchmark taking into account the market and economic reality that the benchmark intends to measure. In case of insufficient volume of input data (as described in the XSI-C Methodology) the Contributor shall promptly inform the XSI-C Administrator.

### **3.4 Contributor's due diligence**

1. The Contributor shall have in place an adequate due diligence process to guarantee that only appropriately qualified Submitters with the necessary skills, training and experience can submit input data on behalf of the Contributor.
2. The Contributor's due diligence process shall include the following checks:
  - (a) verify the identity of the Submitter(s)
  - (b) verify the qualifications of the Submitter(s)
  - (c) verify the reputation of the Submitter(s), including whether the Submitter(s) has previously been excluded by any party from submitting input data to a benchmark for reasons of misconduct.
3. The Contributor shall provide appropriate training for new staff prior to designating them as a Submitter

4. The Contributor shall have in place appropriate reporting lines and designated individuals at the appropriate level of seniority within the Contributor's firm, who are responsible for the oversight of the submission process, input data contributions and post-contribution reviews. Pre-contribution validation of input data shall be overseen by a senior member of the Contributor's staff.

*Only people employed by Xeneta (the Contributor) are allowed to view the raw data stored in the Xeneta system and this occurs only on a need to know basis.*

*In order to process the data, perform quality assurance and approve it for the transmission to the Administrator, a Xeneta employee needs to be a member of the dedicated data analytics team. Additionally, a subset of developers from time to time need to test new functionalities in production and as such they have the possibility to impersonate a member of the data analytics team. All actions that involve data imports and validations, which ultimately result in the transmission of data to the Administrator are logged and the name of the submitter is stored.*

*It is not possible to delete the data or the logs without accessing the databases which only developers can do. Access to the database is only available via VPN and all mac addresses are tracked.*

*All Submitters are subject to rigorous hiring processes, including reference checks, before employment, as well as a rigorous onboarding process when they join Xeneta.*

### 3.5 Contributor's input data

The Contributor shall ensure all relevant input data is contributed to the XSI-C Administrator. The Contributor shall give consideration to the data to be taken into account when determining the input data contribution and the types of data that the Contributor may exclude from a Contribution of input data

*Once the data is received from the clients of Xeneta a task is created. If the data is received by the client in non-email formats (Database or via the application front end that Xeneta provides to its own clients), then such task is created automatically. If the task is received via an email this is received via a shared mailbox and the whole data analytics team has visibility of the tasks. As such there is full traceability between the data received and the data imported and hence the data ultimately provided to the Administrator. Additionally, the data analytics team monitors the data that has been imported and highlights any missing data on a weekly basis.*

### 3.6 Transmission of input data

The XSI-C Administrator shall have access to the input data provided by the Contributor in a safe and secure manner.

The XSI-C Administrator shall have in place an emergency plan for receiving input data from the Contributor and this shall cover technical and operational difficulties. It is the Contributor's responsibility to have appropriate procedures in place to account for the temporary absence of Submitter(s).

*On every Index Calculation Day at 4pm London Time, the Contributor posts on a dedicated and secure S3 bucket server the new set of input data. In case of technical difficulty to access the input data, the XSI-C Administrator can contact by email or by phone a Submitter.*

### 3.7 Contributor systems and controls

The Contributor shall have in place and maintain suitable and effective systems and controls to proceed with:

1. Pre-contribution checks: The Contributor shall verify the quality of the input data. This includes pre-contribution monitoring to identify and evaluate suspicious inputs, unusual data and to avoid errors in input data. It also includes making sure the input data are in the correct format required by the Administrator. Detection of outliers are processed by the Contributor in line with the Outliers Detection Algorithm defined in the XSI-C Methodology.



2. Post-contribution checks: The Contributor shall have measures in place to verify the input data has been contributed in accordance with the requirements of the XSI-C Code Of Conduct, as well as ex-post analysis to identify suspicious input data.
3. Monitoring checks: Monitoring of the safe transfer of input data to the XSI-C Administrator.

The Contributor shall provide explanations regarding outliers or unusual data when requested by the XSI-C Administrator.

The Contributor shall promptly inform the XSI-C Administrator if it becomes aware of an error in the input data in carrying out the verification listed above or as it may become aware.

The Contributor shall review, at least annually, their systems and controls established in relation to the Contribution of input data.

*Data is validated for errors or discrepancies in a series of automated processes where the Contributor checks for consistency in data formats, currency and data types. Data quality is also assessed with statistical methods in order to guarantee that errors are not propagated. All statistically suspicious data is automatically flagged for manual review. In practice this is a multi-tiered system to ensure that the data is fully validated and error free. As it is a machine assisted process it is not fully at the employee's discretion whether the data is validated or not. Outlier detection is carried out by the Contributor following the Algorithm defined in XSI-C Index Methodology.*

### 3.8 Reporting regarding suspicious input data

1. The Contributor shall have in place robust rules and escalation procedures to detect, evaluate, and report suspicious input, behaviour or events which they detect in the course of their input data contribution process. The Contributor shall report without delay to their internal compliance function, to the XSI-C Administrator and to the regulatory authority as may be appropriate.
2. The circumstances in which the Contributor, without delay, is required to report suspicious input data to the XSI-C Administrator shall include, but is not limited to:
  - (a) Suspected or potential manipulation of a benchmark;
  - (b) Manipulation of a benchmark;
  - (c) Any other conduct that may involve manipulation or attempted manipulation of a benchmark.
3. The Contributor shall provide to the XSI-C Administrator any supporting documentation and evidential information, and full details surrounding the suspicious input data, remedial action taken and progress of their implementation to the XSI-C Administrator's registered address followed by an electronic communication to be sent to [compliance@compass-ft.com](mailto:compliance@compass-ft.com).
4. The Contributor shall have in place a disciplinary procedure and action to be taken against individual if it is established that they have acted improperly in respect of the process of making input data submissions.

*Xeneta reviews the data quality of all the data provided on a weekly basis. During this meeting a set of data experts and industry experts review the raw data behind the indexes and analyze any perceived issue or discrepancy. If there is any suspected or potential manipulation of the benchmark then the team will report such situation to the internal legal team and notify the Administrator.*

## 4 Expert Judgement and use of discretion

The Contributor retains discretion to decide the respective importance of the factors they have considered in compiling the input data.

Where Expert Judgement or use of discretion has been used by the Contributor to determine the input data, the Contributor shall refer to the guidelines provided below.

*Use of Expert Judgement or discretion can occur if the rates that have been imported do not conform with the Xeneta methodology. More specifically if the rates are found to contain nonstandard surcharges or have a different validity than initially estimated. Sometimes the quoted currency can also be found to be erroneous and this needs to be corrected.*

*Data is only used after a contract has been signed with the Xeneta clients and after the data has been fully understood. In general there is an onboarding process before the data is allowed to be used in the calculation of the indexes, during this process we ask questions to the data sources and we monitor that the data meets the required quality standards.*

*Xeneta reviews weekly the data quality of all the data provided. During this meeting a set of data experts and industry expert review the raw data behind the indexes and analyze any perceived issue or discrepancy. Should a perceived discrepancy be identified this is investigated by the data quality team and corrected. Record of the meeting is kept in an audio format.*

*The only right of the expert judgment is to delete suspicious input data or change the parameters used for the calculation (e.g. contract length, surcharges). At no point in time does Xeneta modify input prices or modify the index directly. As the import of data and cleaning of data is also partially a manual process involving both Xeneta and its clients, who provide the data, we need to continuously monitor the process to ensure that no errors are being introduced. Therefore additionally to the panel, who can modify the data after import, the submitter can also use its discretion to flag the data as suspicious in which case the data is not part of the index until reviewed.*

The Contributor shall provide an adequate explanation, if applicable, to back up the use of Expert Judgement or discretion when requested by the XSI-C Administrator.

## 5 Obligations of the Contributor

**The Contributor commits to:**

1. Accept the rules and procedures included in the XSI-C Code Of Conduct.
2. Continue to satisfy the XSI-C Administrator as to its competence and suitability to contribute input data.
3. Carry out a process of self-assessment at regular intervals during its appointment having regard to relevant factors, such as the number of employees in their employment with special knowledge and experience.
4. Appoint a manager to be the representative and who is responsible to the XSI-C Administrator for the performance of their firm's obligations as the Contributor. Such person shall have the expertise acceptable to the XSI-C Administrator and will be replaced if reasonably required by the XSI-C Administrator.
5. Accept that all information provided by the Contributor to the XSI-C Administrator remains confidential between the Contributor and the XSI-C Administrator.
6. Hold an annual "audit" meeting with the XSI-C Administrator for the purpose of reviewing the input data submission quality and accuracy and compliance with the XSI-C Code Of Conduct.
7. The XSI-C Administrator should be notified by the Contributor without delay if at any time it considers it may fail to meet these requirements.

### **Criteria applicable to employees of Contributor authorised to contribute input data:**

Responsibility for contributing input data should be allocated to individual persons in the Contributor company who have special knowledge of the input data. The Contributor firm must notify the XSI-C Administrator the identity and seniority level of all employees who are authorised to contribute input data to the XSI-C Administrator. Such employees should have an appropriate level of seniority and market experience in order to comply with the provisions of the XSI-C Code Of Conduct and be informed of their obligations pursuant to BMR.

The employees of the Contributor listed with the XSI-C Administrator shall have a nominated person in his or her absence.

*The data is sent from the Contributor in an automated manner that does not require any manual interaction. As such there is no single employee who contributes the data to the Administrator. Similarly the data query process from which the contribution is generated is run as an automatic query on a database. The query is also run on a scheduler. The following employees are allowed to authorize changes to the automatic processes: Erik Devetak, Ilko Masaldzhivski and George Thomas.*

## **6 Record Keeping**

The Contributor shall keep an accurate and up-to-date record of all relevant aspects pertaining to the input data contribution process (including all electronic communications) for a minimum of five years on a medium that allows the storage of information to be accessible for future reference and deliverable upon request to the XSI-C Administrator within a reasonable timeframe. The records to be retained shall include (but are not limited to):

1. communications between the Contributor and the XSI-C Administrator.
2. a register of the Submitters permitted by the Contributor to contribute input data to the XSI-C Administrator
3. records of individuals who contribute and/or approve each daily input data submission of the Contributor.
4. records of any intervention in the daily determination of the XSI-C Administrator benchmarks including (but not limited to) contributions "on behalf", the disregard of any input data and the rationale for such disregard and other changes in or deviations from standard procedure;
5. all documentation relating to any complaint or whistleblowing alerts
6. all documents including policies, procedures and Codes Of Conduct describing the Contributor's contributions to the XSI-C Administrator.

*All communication between the Contributor and the Administrator relating to the Indices will have XSI-C@xeneta.com in copy. All emails copied to this address will be stored for at least 5 years.*

*The Contributor maintains up to date documentation relating to the Indices, including:*

1. *A register of the Submitters permitted by the Contributor to contribute input data to the XSI-C Administrator*
2. *A register of any complaints or whistleblowing alerts*
3. *A register of any identified conflicts of interest*

*Any interventions in the data, beyond the once described in section 4 pertinent to Expert Judgment, are documented, along with the rationale behind them. Meetings to discuss any interventions are recorded. All communication regarding any data intervention will be kept for a minimum of five years.*

## 7 Conflicts of interest

The Contributor shall maintain policies, procedures and controls that are reasonably designed to enable the identification and management of any conflicts of interests which may arise from the process of contributing input data and to prevent the manipulation by those involved in the contribution process.

This includes, but is not limited to:

1. A conflicts of interest policy that handles:
  - (a) the identification and internal escalation of conflicts of interest that may arise along with the procedures to be followed and measures to be adopted, in order to manage such conflicts
  - (b) the measures to prevent any person from exercising inappropriate influence over the way in which staff involved in the input data submission carry out activities
  - (c) the recruitment process for Submitters
  - (d) the remuneration policies for the Contributor's staff conflicts of interest arising from the Contributor's management structure
  - (e) internal communications between the Submitter's and the Contributor's other staff
  - (f) any physical and operational separation between Submitter's and other staff of the Contributor
  - (g) the Contributor's exposure to a financial instrument which uses the benchmark that the Contributor contributes input data to as a reference
2. A register of conflicts of interest that shall be kept up-to-date and used to record any conflicts of interest identified and any measures taken to manage them. The register shall be accessible by internal or external auditors

The Contributor shall ensure that staff members involved in the contribution of input data process are trained in relation to all policies, procedures and controls relating to the identification, prevention or management of conflicts of interest.

*All employees of the Contributor are bound by a Code of Conduct, which makes specific reference to the XSI-C Indices. Employees must:*

1. *Ensure all communications relating to the Indices are in channels visible to multiple colleagues*
2. *Avoid investing directly in any financial instrument linked to the Indices*

*The Contributor maintains additional documentation covering potential Conflicts of Interest specific to the Indices, including:*

1. *Ensuring that the Contributor itself, as well as its employees, is not exposed to any financial instrument linked to the Indices*
2. *Ensuring that no employees are remunerated in a way that is linked to the performance of the Indices*
3. *Ensuring that no attempts are made to recreate the Indices for personal gain*

*The Contributor holds regular training for employees to ensure they are aware of their responsibilities in relation to the Indices and the need to avoid conflicts of interest.*

## Glossary

**Benchmark Administrator:** means a natural or legal person that has control over the provision of a benchmark.

**Benchmark:** means any index by reference to which the amount payable under a financial instrument or a financial contract, or the value of a financial instrument, is determined, or an index that is used to measure the performance of an investment fund with the purpose of tracking the return of such index or of defining the asset allocation of a portfolio or of computing the performance fees.

**BMR:** Regulation (EU) 2016/1011 of the European Parliament and of the Council of 8 June 2016 on indices used as benchmarks in financial instruments and financial contracts or to measure the performance of investment funds and amending Directives 2008/48/EC and 2014/17/EU and Regulation (EU) No 596/2014 (Text with EEA relevance).

**Carrier:** means a party that transports goods for another person or company and is responsible for any possible loss of or damage to the goods during transport. A common carrier provides transportation services to the public in return for compensation. A contract carrier provides this service under special contracts, often for government clients.

**Contributor:** means a natural or legal person contributing Input Data.

**Expert Judgement:** means the exercise of discretion by an Administrator or a contributor with respect to the use of data in determining a benchmark, including extrapolating values from prior or related transactions, adjusting values for factors that might influence the quality of data such as market events or impairment of a buyer or seller's credit quality, and weighting firm bids or offers greater than a particular concluded transaction.

**Freight Forwarder:** means a company that arranges the transportation of goods on behalf of a shipper. A freight forwarder may have its own in-house carriers or may contract with external carriers. Freight forwarders often specialize in consolidating LTL freight from multiple shippers.

**Index Business Day:** Any day on which Oslo exchange is open for trading.

**Index Calculation Agent:** Compass Financial Technologies (France).

**Input Data:** means the data in respect of the value of one or more underlying assets, or prices, including estimated prices, quotes, committed quotes or other values, used by an administrator to determine a benchmark.

**Shipper:** means a company that is the beneficial cargo owner of the goods being shipped, or the buyer of the shipping service..

**Submitter:** means a natural person employed by the contributor for the purpose of contributing input data.

