



Benchmark Statement and IOSCO Statement of Compliance

Skytra Price Indices

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DISCLAIMER

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1. General disclosure requirements

This Benchmark Statement, published on [insert date] is for the Skytra Price benchmarks Family of Benchmarks. ISINs in relation to these benchmarks will be published and available free of charge at www.skytra.com.

The Skytra Price benchmarks are non-significant benchmarks that are regulated under Title II of Regulation (EU) 2016/1011 and calculated based on the underlying data that is contributed to it from data contributors.

This Benchmark Statement is written in accordance with [Regulation \(EU\) 2016/1011](#), [Regulation \(EU\) 2018/1643](#) (and onboarded UK BMR) and incorporates a self assessment of the [IOSCO Principles for Financial Benchmarks](#) Statement of Compliance.

This document is intended to provide users and potential users a summary of the benchmarks and the IOSCO statement of compliance that was undertaken by Skytra. This document will be reviewed on an annual basis.

2. Economic Reality

The Skytra Price benchmarks measure the wholesale price of air travel per km flown by an individual passenger in identified markets both regional & interregional as well, for economy class tickets.

The Skytra Price benchmarks measure prices in a number of regional and international air travel routes as follows:

- Asia Pacific/Asia Pacific
- North America / North America
- Europe/Europe
- Asia Pacific/Europe
- Asia Pacific/North America
- North America/Europe

At the date of publication the Skytra Price benchmarks are not yet used as Benchmarks so there are no current participants. Skytra aims to support benchmark customers by developing access to trading facilities, either in an OTC marketplace or a listed venue such as an MTF. These markets will use the benchmarks in financial instruments such as futures and options. The trading participants are expected to be financial service firms operating as agents for their industrial clients.

In addition to risk hedging services, there are other uses of the benchmarks that could potentially take place such as in Price Locks offered by the Air Transport industry to its customers or use for commercial intelligence or research.

3. Governance

Skytra remains responsible for the development, determination and dissemination of the Skytra Price benchmarks. Skytra also retains responsibility for the operations of and decisions made in relation to the Skytra Price benchmarks. Skytra has put in place appropriate governance and oversight of the benchmarks through establishing the Skytra Index Oversight Committee (SIOC) which is made of a balance

of potential Users, Contributors and Skytra staff. The SIOC has procedures, which are made available to stakeholders and the FCA upon request.

The Skytra Rules and Methodology (R&M) document, which is publicly available on the website, specifies the methodology used to calculate the Skytra Price benchmarks. The R&M, and any changes made to it, is governed by the SIOC. Should any material changes be proposed to be made to the methodology, Skytra will consult with the Users of the benchmark.

In addition to the R&M, Skytra has in place policies and procedures for the identification, disclosure, management and avoidance of conflicts of interest, including the disclosure of any material conflicts of interest to Stakeholders and to the FCA. That Conflicts of Interest Policy is designed in line with the EU Benchmark Regulation and IOSCO Principles. The conflicts of interest framework is tailored to Skytra as a firm and includes existing and potential conflicts of interest by the ownership, control and other interests of staff (including remuneration).

Skytra does not outsource the calculation or collection of data inputs that underlie the Skytra Price benchmarks. However, all third parties that are used by Skytra fall under the Skytra Outsourcing and Third Party policy and have written arrangements to set out the roles and obligations of the parties involved, monitoring of the compliance with the standards set out in the SLA and risk management such as contingency planning. Identities of any third parties involved in the process of determining the benchmarks will be made known to the FCA.

Skytra has in place a [robust](#) documented control framework which includes Whistleblowing arrangements to facilitate early awareness of potential misconduct.

Skytra is fully compliant with IOSCO Principles:

1. Overall Responsibility of the Administrator
2. Oversight of third parties
3. Conflicts of Interest
4. Control Framework for Administrators
5. Internal Oversight

4. Quality

The Skytra Price Indices have been designed to take into consideration factors that are intended to result in a reliable representation of the economic realities of the Interest that the Benchmark seeks to measure, and to eliminate factors that might result in a distortion of the price, rate, benchmark or value of that Benchmark. Further information on these factors is found in the R&M document available on the website.

The data that is used in the Skytra Price benchmarks includes transactions and offered prices for air travel. As such those prices have been formed by the competitive forces of supply and demand in an active market.

The methodology uses a hierarchy (waterfall) approach to the data to ensure the quality, integrity, continuity and reliability of its Benchmark determinations. Further information on how the Skytra Price benchmarks are determined can be found in the R&M document available on the website. The R&M also

includes the steps that Skytra will follow should it take the decision to cease any of the benchmarks produced. Skytra reviews the Rules and Methodology at least annually and will consult on any material changes that are proposed to be made to the methodology.

Skytra has in place a Code of Conduct with all of the data Contributors that can be made available to any relevant Regulatory Authority or other stakeholders.

Skytra also has in place internal controls for the collection of the data and protecting the integrity and confidentiality of the data. To do this all of the data submissions are delivered in a pre-determined way by pre-identified Submitters. The delivered content is monitored by the Product team and Compliance for quality and integrity of the data. Data and production code are hosted in a segregated production environment with logging and sign off required for changes. Any code or methodology changes are subject to oversight by the SIOC.

Skytra is fully compliant with IOSCO Principles:

6. Benchmark design
7. Data Sufficiency
8. Hierarchy of Data Inputs
9. Transparency on Benchmark Determinations
10. Periodic Review
11. Content of the Methodology
12. Changes to the Methodology
13. Transition
14. Submitter Code of Conduct
15. Internal Controls over Data Collection

5. Accountability

Skytra has in place a written complaints policy where stakeholders can submit complaints concerning whether a specific Benchmark determination is representative of the underlying Interest it seeks to measure, application of the Methodology to a specific Benchmark determination and other Skytra decisions in relation to an benchmark determination.

Skytra retains written records in relation to the determination of the benchmark and other records that are required to be kept as specified by the EU Benchmark Regulation for at least five years.

All relevant documents, audit trails and other documents required of Skytra by the EU Benchmark Regulation and the IOSCO Principles are readily available to the FCA in carrying out its supervisory duties and will be handed over to the FCA promptly on request.

Skytra has implemented a three lines of defence risk management model, which includes the outsourcing its audit function to an external provider. Skytra has outsourced its Internal Audit function to an independent auditor with appropriate experience and capability to periodically review and report on Skytra's compliance with the BMR and IOSCO principles. In addition to this, the Compliance Function undertakes Compliance Monitoring on the implementation of the regulatory requirements.

Skytra has implemented a three lines of defence risk management model, which includes the outsourcing its audit function to an external provider. Skytra is also subject to external audits for its financial accounts. Skytra outsourced its Internal Audit function to an independent auditor with appropriate experience and capability to periodically review and report on Skytra's compliance with the BMR and IOSCO principles.

Skytra is fully compliant with IOSCO Principles:

- 16. Complaints procedures
- 17. Audits
- 18. Audit Trail
- 19. Cooperation with Regulatory Authorities

6. Potential limitations

A significant decrease in the quantity or quality of the underlying data may lead to the benchmarks becoming unreliable. The measures taken to mitigate these potential issues along with the steps that Skytra will take are highlighted in the Rules and Methodology document.

The Skytra Price Indices are based upon transacted air travel tickets and offered price quotes. The minimum data requirements for the calculation of the benchmarks is stated in the Rules and Methodology document.

The input data to the Skytra Price Indices is estimated to represent around 45% of global ticket sales. Although this is a significant volume of data and a good representation of the underlying market, the indices are not calculated based upon all air travel tickets.

Skytra only bases its the Skytra Price Indices on tickets that are reported to Skytra in a timely manner. Skytra has defined a list of airports per region with the locations determined. Skytra allocates flights/itineraries to regions on the basis of the airports listed in the itinerary. Details of the methods are in the Rules and Methodology. See the Skytra Price Index Airport Reference Data document for further information of the airports and locations.

Skytra has in place a waterfall methodology set up so that only if all contributors were not able to give data, or if the volume of air travel and searched for flights significantly decreased below the minimum number outlined in the Rules and Methodology, would the fall-back systems and arrangements need to be actioned. Should the fall-back systems and arrangements be used then this would be made public and the benchmarks would, in Skytra's view, remain representative of the underlying market for a minimum period of three months.

7. Use of discretion

Due to the high volumes of data that underpins the benchmarks, Skytra calculates the benchmarks using an algorithm. The coding of the algorithm would constitute a discretion. The coding and amendments to the code are subject to peer review prior to the changing of the code which is undertaken by quantitative specialists. Any changes are then subject to Compliance Monitoring and Audit.

In the circumstance where a data event happens such as the inclusion of a new data source, or should the data sources become insufficient, inaccurate or unreliable, Skytra may use discretion to add a divisor to prevent volatility on the rate that is not a reflection of the underlying market, after the decision is made to use that discretion, that decision will be assessed by the Skytra Index Oversight Committee. Should Skytra choose to use a divisor, a notice will be published on the Skytra Website.

8. Re-publication of the benchmarks

Republishing of the indices may occur at Skytra’s discretion as follows:

1. Identification of the issue: where it is discovered that there was an error in the calculation or if there is a suspicion of attempted or actual market abuse, Skytra may decide to republish the indices.
2. Identification of the impact: An analysis will be undertaken to determine the impact upon the index (e.g. the impact on price) and also the impact upon Users of the indices
3. Decision-making: Skytra will take a decision based upon the facts of that particular error taking into consideration a number of factors including the nature of the error, the impact on the indices, the impact on the market..
4. Notification: Should Skytra decide to republish the indices they shall publish a market notice to inform the public.
5. Oversight: Any decision to republish will be reported to the SIOC.

9. Changes to and cessation of the benchmark(s)

Skytra has published policies on material changes to and cessation of its benchmarks. Those policies are available on the Skytra website. In summary:

- Skytra will assess all of the changes to its benchmarks to establish if they are material changes. Where material, changes are proposed to be made, those changes will be subject to the Skytra Index Oversight Committee’s (SIOC) review and challenges.
- All material changes will be consulted on for a period of time according to its impact on the financial markets. The guide on consultation periods are found in the Material changes policy
- Prior to the cessation of any of its benchmarks, Skytra will undertake an assessment to identify the impact of the cessation on the financial markets, having regard to use of those benchmarks. All proposals for cessation are subject to Skytra’s Audit and Risk Committee review as well as SIOC review and challenge.
- All proposals for cessation will be consulted on for a period of time according to its impact on the financial markets. The guide on consultation periods are found in the Cessation Policy.

All consultations for material changes and cessations will be published on Skytra’s website and all known, licensed users will be informed.

Users of the benchmarks should have in place robust fall-back provisions that they are able to use in the event of material changes to, or cessation of a benchmark that they use.

10. Key Terms

Key terms used in this document are as follows:

Key Term	Definition
IOSCO	International Organization of Securities Commissions

Regulation (EU) 2016/1011 , Regulation (EU) 2018/1643	EU Benchmarks Regulation. From 1 January 2021, this will mean the UK on-shored Benchmarks Regulation
SIOC	Skytra Index Oversight Committee

