



Reinventing risk management for air travel

Skytra Benchmark Material Changes to Methodologies

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DISCLAIMER

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Document History

Revision	Date Published	Author(s)	Summary of Changes
1.0	13/11/2020	TRINGHAM	First draft
1.1	24/11/2020	TRINGHAM	Reviewed & Finalised

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1 Scope & Objectives

This policy applies to the Skytra Price Indices family of benchmarks which are licensed by Skytra to be used as Benchmarks and are governed by the Skytra Index Oversight Committee (SIOC). This policy does not apply to any other data products that are licensed by Skytra for purposes other than use as a benchmark as defined under the EU Benchmarks Regulation.

Skytra is a registered Benchmark Administrator¹. As per regulatory expectations, Skytra is required to have a material changes policy for its regulated benchmarks.

As part of the development and improvement of its regulated benchmarks, Skytra may wish to implement changes to its Rules and Methodology. This policy sets out Skytra's approach to determining which changes are Material and its approach to stakeholder consultations for such material changes.

Changes may be triggered by formal review, R&D projects, customer feedback or the detection of errors or indeed changes to the economic reality that the indices in question seek to measure.

This document describes the process which Skytra will follow in such an event.

2 Definition of a material change

A material change is any change proposed by Skytra that leads to a different rate (where the difference would be 0.0001 USD or more for seven consecutive days on any given index) being calculated for any of the Skytra Indices from the same data.

Where a change does not have a material impact it shall be deemed to be a non-material change. The implementation of non-material changes are outside of the scope of this policy.

3 Policy and Process

A. Circumstances leading to a material change to the methodology of Benchmarks

There are a number of scenarios which may lead to a material change to the methodology of the benchmarks that are part of the Skytra Price Indices. These scenarios include changes to the calculation which aim to make the Benchmarks more reflective of the underlying market or it could include the addition of data contributors to increase the amount of data that Skytra uses to calculate the benchmarks.

B. Proposals for material changes to benchmarks

A proposal for material changes will be commissioned by the Skytra Chief Strategy and Product Officer. Proposals are internally assessed and initially signed off for evaluation by the Skytra Executive Committee.

These elements will then be assembled and the SIOC consulted as to the completeness and appropriateness of the analyses, modification plan and proposed consultation process.

¹ Skytra holds a Part 4A Permission to administer non-significant or significant benchmarks. The Skytra Price Indices family of benchmarks are categorised as non-significant benchmarks.

As part of this process Skytra will perform an analysis as to the potential impacts of the changes including an identification of the differences in index price calculated between the pre-existing methodology and the proposed methodology. Skytra will develop a plan to test any potential changes covering at least the following areas:

- comparison against prior index methodologies over at least one month
- effect on sensitivities to events
- code validation and verification checks
- other tests deemed necessary by Skytra

Such tests will define:

- the method to employ to enact the change
- the metric(s) to be tested and the nature of the test (correlation etc.)
- the expected result.

Following the assessment and sign off of the evaluation by the Executive Committee, approval may also be sought from the Skytra Audit and risk committee, as appropriate. Upon approval Skytra will then initiate a consultation phase.

C. Consultation phase and paper

A Consultation Paper will be drafted. The consultation paper shall outline the rationale for the proposed material change, the identified use and value of the benchmarks as well as the anticipated market and consumer impact. The Consultation timeframe for responses, will be determined in proportion to the anticipated impact on users. As a guide:

Anticipated impact on Users	Anticipated timeframe for consultation
No impact as no Users or value identified	N/A
Low impact (under 50 Users or under \$1bn in value of benchmarks)	Four weeks
Medium impact (between 50 and 100 Users or value under \$25bn)	Five weeks
High impact (over 100 Users or value above \$25bn)	Six weeks

D. Skytra Oversight Committee (SIOC)

Should Skytra conclude that they wish to proceed with a consultation regarding the potential material change of the benchmark(s) they shall consult with the SIOC with the draft Consultation Paper (including implementation plan) and timelines. As appropriate, SIOC may advise Skytra to change the timeline for consultation and may object to the material change.

E. Stakeholder Engagement

Skytra will launch the period of consultation through posting a notice and the consultation paper on its website.

In addition it shall contact its known users to inform them of the consultation paper.

The consultation paper will be open to responses from all interested stakeholders. responses will be accepted on a response form that is to be submitted to the email address in the Consultation Paper by 5:30pm (UK time) on the consultation closing date. Responses received outside of these rules will not be assessed.

F. Stakeholder Feedback

All feedback received as per the specification in E will be analysed by Skytra. Should a stakeholder wish for their identity to be kept confidential, they should declare this in their responses.

Skytra aims to analyse the stakeholder feedback within the period of one month. Skytra will publish the non-confidential feedback given to it either in full or as a summary.

Skytra will take into consideration the stakeholder feedback and determine if they wish to proceed with the material change .

G. Decision to not implement the material change the benchmark(s)

If following the consultation Skytra determines that they do not wish to implement the material change they shall publish a notice and inform the SIOC. The non-confidential results of the full consultation process with the SIOC and the users will be published on the Skytra website alongside any implementation plan and the supporting rationale for the decision taken by Skytra. A full report will also be made to the SIOC at the next committee meeting.

H. Decision to implement the benchmark(s)

If following the consultation Skytra determines that they wish to implement the material change to the benchmark(s), Skytra shall publish a notice on its website. The non-confidential results of the full consultation process with the SIOC and the users will be published on the Skytra website alongside any implementation plan and the supporting rationale for the decision taken by Skytra. A full report will also be made to the SIOC at the next committee meeting.

The decision taken by Skytra to make a material change to the benchmark shall be the final decision with no appeals accepted.