



Larry Neal
President
Platts

Two Penn Plaza
25th Floor
New York, NY 10121-2298
212 904 6270 Tel
212 904 2099 Fax
larry_neal@platts.com

The Editor
Financial Times
Number One Southwark Bridge
London
SE1 9HL

12 July 2012

Sir,

Your column (*Reporting agencies should ease objections to oversight, 10 July 2012*) draws incorrect parallels between LIBOR and physical market energy price assessments published by independent price reporting organizations (IPROs). There is no similarity between the two. Critical distinctions are the quality of the source data, the independence of the IPROs, the competition amongst them, and the transparency of their methodologies.

Today, price publishers rely on fact rather than opinion, and what was once a system based on trust has moved toward one of fact-based evidence. LIBOR rates are determined by a single source – a financial trade association – reflecting banks' daily estimates of their borrowing costs. In contrast, IPROs' price assessments are developed by independent, competing companies and informed by actual transactional data consisting of completed deals between counterparties or bids and offers that are tested in the marketplace.

In some markets, such as U.S. natural gas, where Platts in the early 2000s led the reformation of price assessment methodology, no data comes from front-line trading desks, where the risk of conflict of interest is readily apparent.

In the oil markets, where bids and offers can play a larger role in price determination, those bids and offers are openly tested through exposure to the entire marketplace and governed by strict methodological practices that provide numerous safeguards against distortion of the assessment.

Widespread free participation in the processes, genuine price visibility via transparent methodologies, and transparent presentation of market data to all market stakeholders ensure that IPROs' price assessments represent true market value.

Over the years, Platts has played a significant role in increasing the transparency and efficiency of commodity markets. We have no vested interest in the markets on which we report. We have developed reliable, robust processes, and do not use panel-based pricing mechanisms like LIBOR's, which by their nature, can be prone to risks and conflicts.

Sincerely,

Larry Neal
President
Platts