

Proposed rule change for feedback

Public consultation paper, March 2025



PURPOSE

1. This paper invites feedback from any interested party on proposed changes to the GDT Trading Event Rules.
2. The Oversight Board discussed the proposed changes on 8 October 2024 and supports this consultation process being undertaken. The Oversight Board will consider any feedback received prior to deciding whether to adopt the proposed changes.
1. The proposed rule changes are open for feedback from interested stakeholders for three weeks until close of business on Friday 14 March 2025.

SUMMARY

3. GDT's Strategic Plan focusses on building liquidity, attracting a larger and broader global supply volume to the platform, and enhancing the agility and efficiency of our operations and service development.
4. The Rules were originally formulated on the assumption that the Trading Manager role is outsourced to a third party, separate from GDT.
2. To enhance agility and efficiency, GDT is taking steps to insource key functions such as the Trading Manager role and bring greater control over our technology and operations.
5. The primary proposal is to amend any rules that currently restrict GDT from performing the Trading Manager role. Additionally, amendments are proposed to align the Rules with proposed changes to the Oversight Board Charter.
6. We are also proposing to clarify certain terminology and implement minor rule changes, such as adjusting the phone helpdesk hours and pre-event data publication timelines.
7. The following sections of this paper discuss and present the key proposals, with the Annex providing a complete mark-up of all proposed changes.

PROPOSAL ON APPOINTMENT OF TRADING MANAGER

8. The Rules provide that GDT appoints the Trading Manager to manage Trading Events and provide advice in relation to the Trading Platform (refer Rule B4.5).
9. Even though the rules do not preclude GDT from appointing itself as the as the Trading Manager, we propose to clarify the clause to remove any ambiguity. In addition, we propose that GDT maintains a level of segregation of duties and retains the ability to appoint an external Trading Manager in the future.
10. The proposed amendments to Rules B4.5 and B4.6 are as follows:

4.5 Appointment of Trading Manager

- (a) GDT will appoint a Trading Manager to manage Trading Events and provide advice in relation to the Trading Platform or may itself perform the role of the Trading Manager.
- (b) Where GDT elects to perform the role of the Trading Manager itself, then any references in the Rules to the "Trading Manager" will be to GDT, but GDT will establish and maintain a separate team within GDT (the Trading Manager Team) in order to perform the roles and responsibilities of, and exercise the powers and make the decisions for, the Trading Manager under these Rules on behalf of GDT. In these circumstances, GDT must maintain protocols and procedures, which reflect compliance advice it has received, to ensure that the activities performed and the information held by its Trading Manager Team are clearly separated from GDT (in its other capacities) and that there is no disclosure of information held by Trading Manager Team to GDT (in its other capacities) that is expressly prohibited by the Rules.
- ~~(c) That Trading Manager must not be directly or indirectly controlled by any Participant. Where GDT will appoint a third party to be the Trading Manager, the~~ terms of that appointment will be agreed by the Trading Manager and GDT but such terms must require the Trading Manager to operate Trading Events in accordance with these Rules.
- ~~(a)(d) GDT at any time may change the Trading Manager at any time in accordance with the terms of its agreement with the Trading Manager.~~

4.6 Notifications to Oversight Board

GDT will advise members of the Oversight Board and the Trading Manager, as soon as practicable:

- (a) before it formulates any significant Rule change proposal (and in any event before commencing public consultation);
- (b) before new Product Groups are offered for sale on the Trading Platform;
- (c) of the compliance plans, confidential information protocols, or similar matters, adopted by GDT pursuant to Rule B4.3 and any material changes to such documentation;
- (d) of the appointment and terms of reference of the independent person pursuant to Rule B4.3 and any reports issued by such person;
- (e) prior to issuing any rulings;
- (f) of any proposed change to the Trading Manager (provided that, for clarity, where GDT is the Trading Manager, this Rule will not require GDT to advise the Oversight Board of any proposed changes to the individuals forming part of the Trading Manager Team);
- (g) of any proposed modifications to information disclosure developed under Rule B4.4;
- (h) subject to the remainder of this Rule B4.6, of any investigation, inquiry, request for information, complaint or proceeding from a regulatory or governmental agency in relation to any breach or alleged breach of any law in respect of the Trading Platform or the Rules;
- (i) of any new Multi-Seller Pools that it proposes to establish; and
- (j) of any changes it proposes to make to the Contract Periods under Rule C1.2.

11. The current definition of Trading Manager specifically references CRA International, Inc. We propose to update the definition to be more generic and introduce the concept of the Trading Manager Team who will be performing the role of the Trading Manager as a distinct group within GDT.
12. The proposed new definition is as follows:

Trading Manager means:

(a) where GDT has elected to perform the role of the Trading Manager itself, GDT; and

(b) in all other cases, the Trading Manager appointed under Rule B4.5.

~~which as at the date of adoption of this version of these Rules, the Trading Manager is GDT and references in these Rules to the Trading Manager will be to GDT, albeit recognising that the roles and responsibilities of the Trading Manager under these Rules will be performed by the Trading Manager Team within and on behalf of GDT from time to time. is CRA International, Inc.~~

13. While CRA will cease to be the Trading Manager, they will continue to have a legal relationship with GDT through the software licenced to GDT. Consequential amendments to maintain CRA's protection from liability are proposed through the definition and inclusion of Trading Platform Licensor in relevant clauses (refer Definitions, Rules A2.2, A4.3 and D4.4, and the Participation Agreement Template Clauses 4.1, 4.2, 4.2(a), 4.2(b), 4.4(b) 4.5 and 5.3).

PROPOSAL ON OVERSIGHT BOARD CHARTER RELATED CHANGES

14. Given the proposed changes to the Oversight Board Charter, we propose to align the relevant Rules as per proposed Charter.
15. The two key amendments are to Rules B1.3 and B3.3 (with a consequential minor amendment to B4.6):
 - a. The Oversight Board chair, who will no longer be an independent person, is removed from the Rulings Panel.

1.3 Role of Oversight Board

The role of the Oversight Board includes (but is not limited to):

- (a) identifying and proposing to GDT changes to the Rules and the operation of Trading Events that would further the objective in Rule B1.2;
- (b) approving changes to the Rules proposed by GDT in accordance with Rule B2.1;
- (c) responding to any notifications from, or requests for consultation by, GDT;
- (d) monitoring GDT's compliance with governance practices relevant to the operation of the Trading Platform;
- ~~in respect of the chairperson of the Oversight Board, convening an independent Rulings Panel to determine complaints;~~
- (e) establishing working groups as agreed with GDT to consider specific issues and to develop recommendations regarding the Rules or operation of the Trading Platform for consideration by the Oversight Board; and
- (f) providing input to GDT on the development of its business strategies and related initiatives, including any proposed enhancements or modifications to the Trading Platform.

- b. For the same reason, transferring responsibility for administering the complaints process from the Oversight Board chair to GDT.

3.3 ~~Complaints disclosed to chairperson of the Oversight Board~~ GDT may deal with complaints lodged in accordance with the Charter

~~GDT will, as soon as reasonably practicable, disclose each valid complaint lodged to the chairperson of the Oversight Board (subject to any redactions necessary to comply with clause 14 of the Charter or compliance advice it has received). The chairperson of the Oversight Board will~~may deal with any such complaints lodged referred to him or her in accordance with the Charter, including, if necessary, by convening a Rulings Panel to determine the complaint. ~~If the chairperson is conflicted in relation~~

~~to a complaint or there is no chairperson currently appointed to the Oversight Board, the Rulings Panel may be convened in accordance with the process otherwise set out in the Charter, subject to any provisions therein.~~

PEOPOSAL ON OPERATIONAL PROCESSES

Trading Manager to perform tasks previously performed by GDT

16. The current arrangement whereby the Trading Manager role is outsourced to a third party requires that some operational tasks be performed by GDT that can now be streamlined and optimised in an end-to-end process conducted by the Trading Manager.
17. The proposed changes to the information data flow were reviewed by our legal advisers, who confirmed that these do not create any additional anti-trust risks and may reduce risk in some instances.
18. The proposed amendments to Rules C2.1, C2.2, C2.3, C2.11 and C2.14 are as follows:

2 Pre-event process

2.1 ~~GDT~~ Trading Manager to provide list of Bidders

No later than 10 days prior to each Trading Event (or such later time as notified by GDT from time to time), ~~GDT~~ the Trading Manager will provide to each Seller the current list of Bidders.

2.2 Sellers to provide contracting information

No later than the date and time as notified by GDT from time to time prior to the Trading Event, each Seller will provide to ~~GDT~~ the Trading Manager the following information in relation to each Bidder:

- (a) the Seller's Contract Period Bid Limits as provided under Rule C1.4;
- (b) the Seller's additional charges as provided under Rule C1.9;
- (c) the Seller's IncontTerm;
- (d) the Seller's payment terms; and
- (e) if relevant, the Seller's Bidder Product Restrictions as provided under Rule C1.5.

2.3 Bidders to access information prior to Trading Event

Prior to the Trading Event, ~~GDT~~ the Trading Manager will make available to each Bidder the information specific to them that has been received from Sellers under Rule C2.2(a) – (d) and any notice or information that a Seller may wish to provide to Bidders relating to Products offered by the Seller.

Explanatory Note: ~~GDT~~ The Trading Manager will aim to make information received under Rule C2.2 available ~~five~~ four days prior to a Trading Event but provision of the information nearer to a Trading Event will not stop or invalidate the event and Trading Manager may not be in a position to provide this information until closer to the Trading Event depending on when that information was required to be provided to the Trading Manager.

2.11 Product supply information to be published to Bidders

Prior to the Trading Event, ~~GDT~~ the Trading Manager will make available to each Bidder:

- (a) the information received from Sellers under Rule C2.10 and, if provided, under Rule C2.5 and C2.6, except, in respect of a particular Bidder, for any information received from a Seller in relation to Products, Sales Groups and Milk Component Groups where that Bidder is subject to a Bidder Product Restriction in respect of that Seller under Rule C1.5; and
- (b) a statement to the effect that Bidders must not provide such information to any other person.

2.14 Sellers responsible for providing correct information

Each Seller is responsible for ensuring the information required under this Rule C2 is complete and correct in all respects and in the format specified by GDT or the Trading Manager, in particular:

19. Corresponding and other similar amendments are proposed in relation to Multi-Seller Pools (refer Annex for mark-ups to Rules D2.5, D2.6, D2.8, D2.9, D2.12, removal of D2.10, as well as the Rules related to Results publication: D3.1, D3.2, D3.3, D3.4).

GDT to access detailed Trading Event information

20. The current Rules restrict GDT's access to detailed Trading Event information such as the round-by-round individual bidder data. The new ownership structure from June 2022 means that GDT is legally more independent of Fonterra.
21. To improve the performance and the development of the Trading Platform, we propose to relax the restrictions on GDT's access to information with proposed amendments to Rules C5.17, C7.3 and C7.4 below.

5.17 Trading Manager to report Round results

As soon as possible following completion of the EOR procedure, the Trading Manager will report the Round results on the Auction Website and, ~~in the case of (a) and (b) below~~, to GDT as follows:

- (a) for each Product Group and in total across all Product Groups to be observed by all Participants and provided to GDT:
 - (i) the Demand Indicator for each completed Round; provided
 - (ii) the Product Group has a sufficient number of active bidders as specified on the Auction Website;

- (iii) the Demand Indicator will be rounded to the nearest whole number or part whole number or as otherwise specified on the Auction Website.
- (b) for each Product to be observed by all Participants and provided to GDT:
 - (i) the Announced Price for the next Round;
 - (ii) the Price Increment for the next Round, expressed as:
 - (A) an amount equal to the Announced Price for the next Round minus the Announced Price in effect during the Round that just closed; and/or
 - (B) a percentage of the Announced Price in effect during the Round that just closed;
- (c) for each Bidder to be observed only by the relevant Bidder and provided to GDT:
 - (i) details of that Bidder's Submitted Bid in the completed Round;
 - (ii) details of that Bidder's Accepted Bid in the completed Round; and
 - (iii) the Bidder's Eligibility for the next Round.

7.3 Trading Manager to provide results to Participants

After the close of a Trading Event, the Trading Manager will provide results through the Auction Website or by other means:

- (a) to each Bidder, its Winning MT and Winning Price on each Product identifiable by Seller;
- (b) to each Seller, its Winning MT and Winning Price on each Product identifiable by Bidder; and
- (c) subject to Rule 67.4, to GDT, such information as required for the purpose of analysing and improving the performance and development of the Trading Platform.

7.4 Trading Manager cannot provide bidding history to non-Bidders

Unless a Bidder has given consent in writing, the Trading Manager must not provide to ~~GDT or any~~ Seller any information that would enable ~~GDT or any~~ Seller to identify any Bidder's bids on that Seller's Products during any Trading Event, except that the Trading Manager may provide bidding information to GDT, including for the purposes of analysing and improving the performance and development of the Trading Platform or enabling GDT to provide that information to a Recognised Financial Market operator in accordance with Rule B4.4(b) or otherwise to investigate alleged conduct by a Participant that would breach these Rules, including in response to a complaint lodged that requires information to be provided to a Rulings Panel convened to determine that complaint.

MISCELLANEOUS PROPOSALS

Incoterms

22. The Rules specify that the Incoterm applied to winning prices are FAS unless otherwise specified. This was based on the original design of GDT and the assumption that transactions on the platform were mainly for international and transported by sea.
23. As GDT attracts a greater diversity of buyers and sellers from more regions, it has become apparent that FAS incoterm might not be the most appropriate for some customers.
24. We propose that the Rules be amended to allow for the incoterms to be more flexible by introducing the term Standardised Incoterms. These can be assigned by region or otherwise and specified by GDT on the

Information Website.

25. The proposed amendments to Rules A1.2, C1.7, and Definitions are as follows:

2.3 Contract between Winning Bidder and Successful Seller

When Product is sold in a Trading Event a binding contract is formed between each Winning Bidder and the Successful Seller. The terms of the contract formed are:

- (a) the total price payable for the Product is the applicable ~~FAS~~ Winning Price (on the basis of the Standardised Incoterm) plus the additional charges specified in accordance with Rule C1.9 applicable to the Winning Bidder (less any adjustment under that Rule);

1.7 Prices to be specified ~~on FAS basis~~ using the Standardised Incoterm

The standardised incoterm that applies will be specified by GDT on the Information Website from time to time and may differ between Sellers (by region or otherwise) (the Standardised Incoterm). Unless otherwise specified on the Auction Website a All Starting Prices, Announced Prices, and Winning Prices for Products offered at Trading Events are specified on ~~a Free Along Side (FAS)~~ the basis of the Standardised Incoterm for the relevant Seller at the specified shipment locations.

Definitions section

Standardised Incoterm has the meaning specified in Rule C1.7.

Allowing for different pre-event timelines for different sellers:

2.2 Sellers to provide contracting information

No later than the date and time as notified by GDT from time to time prior to the Trading Event, each Seller will provide to ~~GDT~~ the Trading Manager the following information in relation to each Bidder:

- (a) the Seller's Contract Period Bid Limits as provided under Rule C1.4;
- (b) the Seller's additional charges as provided under Rule C1.9;
- (c) the Seller's Incoterm;
- (d) the Seller's payment terms; and
- (e) if relevant, the Seller's Bidder Product Restrictions as provided under Rule C1.5.

GDT may impose different deadlines for different Sellers to provide the information set out in this Rule C2.2 to the Trading Manager in its discretion, including by geographical region or to take into account any other factors that GDT considers to be relevant.

Winning Prices Publication

26. The current Rules are intended to ensure that the publication of prices is restricted to market-determined prices, to avoid incorrect price signals that may arise if non-market determined prices are published. Proposed amendments to Rules C1.17 and C7.1 remove possible ambiguity across the Rules (refer relevant rules in the Annex).

Other minor amendments

27. The current outsourcing arrangement has resulted in separate helpdesks being operated by GDT and the Trading Manager. Changes are proposed to Rules C2.17, C3.5 and the C4.16 Explanatory Note to enable the helpdesks to be merged in future if desired (refer relevant rules in the Annex).
28. Other minor amendments to the Rules have also been marked up in the Annex.

SUBMITTING FEEDBACK

3. GDT invites feedback from any interested party on the proposed rule changes discussed above by the close of business Friday 14 March 2025.
29. Please send your submission by email to help@globaldairytrade.info with the subject header: "Feedback on Proposed Rule Changes 2025".
4. If the consultation process results in only minor changes, the Oversight Board will vote on the proposed changes by written resolution, with the revised rules taking effect as of 1 June 2025.
30. If substantive submissions are received, the Oversight Board will meet to discuss the submissions to determine the best course of action.