



Proposed Changes to RISI Graphic Paper Price Assessments in Paper Trader and PPI Pulp & Paper Week

November 20, 2015

Summary

After a market consultation process that yielded feedback from a large range of stakeholders, RISI proposes the following changes to the graphic paper price assessments published in Paper Trader and PPI Pulp & Paper Week (PPW):

1. In support of RISI's implementation of IOSCO's Principles for Price Reporting Agencies, transfer responsibility for determining Paper Trader price assessments from RISI economists who are responsible for price forecasting to RISI Indices staff, who aren't involved with price forecasting
2. Adjust PPW assessments to harmonize with Paper Trader prices
 - a. Move PPW price reporting date from 3rd issue of the month to the end of the month
 - b. Newsprint 45-g: Round price to nearest \$1 instead of \$5
 - c. Premium 80-lb: Revise top end of range downward by \$10
3. Discontinue assessments for 20.9-lb. white directory

We propose that these changes will be implemented as of February 2016.

Please send any feedback about these proposed changes to Todd Petracek, VP of Markets & Compliance, tpetracek@risi.com, 781-734-8915. **Feedback must be received by December 14, 2015.** A final decision about implementing these changes will be announced by the first week of January.

Details of proposed changes

1. Transfer responsibility for determining Paper Trader price assessments to RISI Indices

Reason for the change: To avoid any potential for a conflict of interest between assessing historical prices and forecasting future prices. This measure is being taken as part of RISI's ongoing effort to ensure the more consistent, rigorous price assessments by implementing the Principles for Price Reporting Agencies from IOSCO. (Details at www.risi.com/iosco)

How this will affect our coverage: In practice, this is a minor change that won't affect our coverage. RISI economists and RISI Indices editors currently work together gathering information to inform both PPW and Paper Trader price assessments, with RISI Indices editors gathering the majority of price data. Based on this shared information, RISI Indices editors determine assessments for PPW and economists determine assessments for Paper Trader.

Going forward, RISI economists will continue to gather some price information from market contacts, but this information will be passed to RISI Indices editors, who will make the final decision on what price assessment will be published in Paper Trader as well as PPW. Editors operate independently of economists, reporting in to different RISI divisions and working in different offices.

2. Adjust PPW assessments to harmonize with Paper Trader prices

PPW and Paper Trader were originally owned by separate companies and featured independent price assessments for graphic papers. Since the two sources came under common ownership, RISI has maintained separate price series but has coordinated the price discovery process between the two sources.



RISI now proposes to explicitly harmonize PPW and Paper Trader prices. PPW prices will still be published as a range (except for newsprint, which PPW reports as a single point), and Paper Trader will report a single price point. However, the range published in PPW will always have a midpoint that matches the Paper Trader price.

a. Move PPW price reporting date from 3rd issue of the month to the end of the following month

More precisely, prices would be reported:

- The last week of the month if the last day of the month is a Friday, Saturday or Sunday.
- The first week of the following month in all other cases.

Depending on the month, PPW prices would therefore be reported from the 27th of the month to the 4th of the following month. For instance, February 2016 price assessments would be published Friday, March 4; April 2016 price assessments would be published Friday, April 29.

Reason for the change: To more closely match when Paper Trader assessments are published. (Paper Trader is published the 1st business day of the month.)

b. Newsprint 45-g: Round price to nearest \$1 instead of \$5

Newsprint 27.7-lb/45-g prices are derived from a formula based on our assessment for 30-lb/48.8-g. Currently, PPW's practice is to round this derived 45-g price to the nearest \$5, while Paper Trader rounds to the nearest \$1.

Starting with January 2016 prices, we propose to round PPW prices for 45-g newsprint to the nearest \$1.

c. Premium 80-lb sheets: Adjust the high end of the price range down by \$10

The midpoint of PPW's price range is \$5 higher than the Paper Trader price. To harmonize these prices, PPW proposes to retroactively adjust the high side of its price range down by \$10 so the midpoint of the PPW price range matches the Paper Trader price. It will be clearly noted that this adjustment is not a reflection of a decrease in the market, but rather a non-market price adjustment.

3. Discontinue assessments for 20.9-lb white directory

The volume of white directory has shrunk to the point where this assessment is no longer sufficiently useful.

Feedback

We encourage feedback from any and all stakeholders on this proposal. Please send any feedback about these proposed changes to Todd Petracek, VP of Markets & Compliance, tpetracek@risi.com, 781-734-8915. **Feedback must be received by December 14, 2015.**

A final decision about implementing these changes will be announced by the first week of January, and it is proposed that changes will go into effect with February prices. So, instead of publishing February's graphic paper prices on February 19, 2016 as would happen under the current schedule, they would be published March 4.