

Circular

Number : **05/18**
Subject : **NORGES SILDESALGSLAG AUCTIONS - VALIDATION.**
To : **Fishermen and buyers of pelagic raw material**
Place : **Bergen** Date : 27/02/2018

Norges Sildesalgslag (NSS) has run electronic auctions for pelagic fish since the early 1990's.

With effect from Tuesday 13 February at 10:00 am, some minor changes are implemented to the auction validation rules for catches sold at auctions through Norges Sildesalgslag.

The main principles of the auction remains unchanged and may be summarised as follows:

- Auctions are based on the "bid principle", that is, buyers place only one bid (closed auction) for each of the catches they wish to purchase.
- A buyer may bid for several catches with the option of placing minimum/maximum quantity limitations and a maximum number of vessels. This applies for each species and for all species in total.
- Buyers have the opportunity to prioritise catches.
- The auction process seeks unique combinations of highest price and highest priority.
- Unique bids are obtained by way of a combination of the highest price and the highest priority for the selected catch that is to be sold during the validation process.
- After each validated sale, the process resumes with the selection of unique bids for the remaining catches in each auction.

The auction sorting order for sales in situations where there are several unique bids has until now been determined by the quantity of the catch. (This means when multiple catches connected with buyer(s) who had the highest price and priority for purchase of the catch].

The main change that is now being implemented is that the sale priority for unique bids will be sorted by price from highest to lowest from amongst the unique bids. Furthermore, the rules will now allow for buyers having equal priority and highest bid for the purchase of several catches, at any time in the validation process, to have the highest bid selected as unique.

- *Example: A buyer's highest outstanding priority is 99 (= has not selected to prioritise or by way of this priority all (outstanding) catches have the same priority). The buyer has two bids with this priority. One of the bids is at NOK 5,50 pr kg and the other is at NOK 4.75 pr kg. Now, only the bid at NOK 5.50 pr kg will be seen as an unique bid to be chosen from. The same would apply if the buyer had priority 1 on all of his bids, or any similar remaining priorities.*

Situations may also arise in the validation process where several unique bids for several catches that have equal bid prices, equal quantities and equal priorities. Sales priorities and the sales process when such a situation arises will be determined according to the following rules:

- **Unique bid**
Order of precedence for the sale: Highest bid/price, largest quantity, highest priority, oldest registration.

If there are no unique bids in the auction round, the system will do the following: The validation routine selects out the remaining bids for catches not yet sold and selects the maximum bid for these catches. These bids are called '**conflict bids**' in the validation because there is no unique connection between price and priority in the bid for the catch. Rules for "conflict bids" (see below) will not be changed with the revised rules in effect from 13 February 2018.

- **Conflict bid**
Order of precedence for the sale: Highest priority, highest bid/price, largest quantity, oldest registration.

If catches only receive bids from outside the primary bidding area (Bidding area 1), the following applies:

- **Catches with bids from only outside the Bidding area 1**
Order of precedence for the sale: Highest bid/price, largest quantity, highest priority, oldest registration.

Summary of Validation Process:

- The validation process will continue and always try to sell the catches receiving unique bids first. Unique bids depend on their priority and the price that individual buyers have placed in their bids.
- Catches lacking priority will default to priority 99, which then will be considered a priority for that catch.
- If a buyer gives all his bids equal priority, then only the highest bid will be considered a unique bid in any validation round. If a buyer places multiple bids at the same highest price, all these bids could be selected as unique bids.
- The maximum quantity and maximum number of vessels stated by the buyers themselves, continue to be important factors.
- The validation process prioritises unique bids according to the highest price, then the quantity with an equal price. Where conflict bidding takes effect, the highest prioritised catch will be sold first. Where there are equal set priorities, the highest price will determine the sale.
- Additionally, the choices a fisherman is requested to make at the end of the auction in relation to equal bids, bids from bidding area 1 and 2 and delayed unloading, will still continue to influence further validation in the auction.

It is very important that fishermen are available on the phone at the end of the auction. Furthermore, the fishermen must be prepared to make quick decisions regarding the choice of A: equal bids; B: bids from bidding area 1 or 2; and C: delayed unloading. **Quick decisions**

from the fishermen is therefore necessary so that Norges Sildesalgslag can finish the auction.

The auction will give consideration to priority as far as possible, but in cases mentioned above it will not always be absolute.

Buyers who have set maximum quantities have to accept catches of up to 10% ekstra.

If you would like further information about the auction please contact Norges Sildesalgslag.

Sincerely
NORGES SILDESALGSLAG

Knut Torgnes

Roald Oen

Copy by e-mail:

The Norwegian Seafood Federation
Ministry of Trade, Industry and Fisheries
The Directorate of Fisheries
The Norwegian Fishermen's Association