Dragontree Help Document

This document is designed to help guide you through Dragontree auctions. It is not a legal document.

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1.   Becoming an Account Holder

The first step is to sign a User Agreement. It is important that this is in the name of the legal entity that will be a Seller, a Buyer, or both. It is also important that the person who signs this document is Authorised to do so and can commit the Company to trade on Dragontree

Once a Company has signed up, the Authorised Signatory will be able to establish their credentials: the email address will be the Username and the Password can of course be managed via Microsoft AD.

If a Company is part of a larger group, and affiliates of the Company are also signed up, then two or more Companies can make a request to be part of an Organisation. Dragontree may set up an Organisation at its discretion, once it is sure that the two Companies are indeed affiliates.

An Organisation cannot be a Buyer or a Seller, and does not have any legal status, but will allow other Companies to approve the Organisation as a Partner (and so avoid having multiple approvals for Companies within the same Organisation). Representatives (see below) can also belong to an Organisation rather than a Company. Account Holders within an Organisation will also be able to identify activity from another Company within the Organisation, and Dragontree will block two Companies within the same Organisation from trading with each other.

This first Account Holder for a Company is called an Administrator (Admin).

The Admin can invite other employees of the same Company to also become Account Holders. The Standard user will have the same privileges and access as themselves. The Standard User must login with the same email address that the Admin used to invite them to be a User.

The Admin or an Account Holder with the correct privileges will also be allowed to add a Representative to act on behalf of the Company they work for. There will be a list of Representatives to choose from, and the Representative will have all privileges of any other Account Holder, except for adding and editing Partners. A Representative may then trade on behalf of the Company.

A Representative may represent more than one Company and can manage auctions for more than one Seller. A Representative can toggle between Sellers to effectively manage different accounts on one set of user credentials.

2. Setting up / Partners

Once the Account Holders are set up then the first task is to decide on the Partner List. This is very important as these are the Companies that you are comfortable to trade with, whether as a Buyer or a Seller or both. When you approve an Organisation as a Partner, all Companies from that Organisation will be your Partner.

To have access you must approve at least five (5) partners. If you cannot find five Companies/Organisations you would like to form a contract with, then wait until more potential Partners join.

To buy or sell from a Partner they must also have approved you – so the logic is that all partnerships must be <u>mutual</u> to trade.

If the Partnership is not mutual then you will not be able to negotiate or to form a contract with that Partner. If the Partnership is not mutual then that selected partner will not receive an invitation to your auction.

You may set a Risk Profile against each of your Partners. By default, it is set to 'High', but you may wish to arrange Partners in groups according to the Profile you believe is appropriate.

Dragontree will define each entity as one of Grower, Merchant, Consumer.

The reason behind the Partnerships is that all Bids and Offers made on the Dragontree platform are anonymous. Users can rest assured that any Bid or Offer they make will never show their name, unless of course a confirmation follows – in which case only your trading counter part will see your name on the ICA contract form.

3. Creating an Auction

It will be clear which fields are mandatory and which fields are optional. Of course, all mandatory fields must be completed. An offer will take the form of a final contract, so that the potential Buyers know exactly what terms they will buy if they are successful.

When you create an auction a start time and date must be selected. This will be on the hour but can be at any time. Obviously, it helps to choose the hours during which traders are most active in your market.

Only one auction is allowed to take place on each hour, but as soon as one timeslot is booked another will open up 15 minutes later.

You may copy a previously used set of terms using the Archive tab.

If your offer requires a recap to be attached, please make sure it has been successfully attached – Dragontree will accept PDF, CSV and Zipped files https://www.wikihow.com/Make-a-Zip-File but you will only be able to attach more than one file if you compress them in a zipped file. It is up to the Seller to ensure that the quality fields which are mandatory for the Offer, are in line with the recap. Dragontree recommends that the Seller states in the Special Clauses whether the recap

quality is final as stated, or whether the contract quality fields are final, and the recap is for information only.

You must pay attention to the Reserve price – please see the next section

The final step is to review your Partner list. At this point you may edit the list of Partners who will receive an invitation to your auction. You may remove a Partner, you may only send to Low/Medium/High Risk Profile Partners – the choice is yours. You must invite at least 5 Partners (1 Organisation = 1 Partner).

Once you have reviewed all the terms, checked the Reserve Price and established which Partners you invite, you are ready to send the auction invitation. To do this you will have to select a date and a time for the auction. The time shown will always be the time you selected as your home timezone – it does not adjust if you change location or country.

Once sent, the only information you can change is the Reserve Price or the Buy it Now price. If you wish to change any of the terms you will have to cancel the auction and start again.

As you progress through the creation of a new offer you may save a draft so that you do not lose any information should you wish to stop and return to it later.

4. Reserve Price

You have the option to set a Reserve Price. It can be changed anytime until the start of an auction, but not once an auction has started.

If you choose to set a Reserve Price, then as a seller you are committed to selling if the high bid is either equal to or above the Reserve Price. You will not be able to stop this process once an auction has started.

If you set a Reserve Price and the high bid is below that price, then you will have a period of 5 minutes only, at the end of the auction process, during which time you will be able to choose to sell to the high bid, even though it did not meet your Reserve Price.

If you make no selection, then the auction ends with no result.

If you choose to set no Reserve price – otherwise said if you do not select a price for your Reserve Price – then you are committed to sell at the high bid immediately after the auction ends.

The Reserve Price can be seen as a 'worst case' price, and also can act as an incentive for a good level of participation in your auctions.

The Reserve Price must be a factor of the minimum increment, which is set at:

USD – 0.10 usc/lb

EUR – 0.25 eur c/kg

AUD – 0.5 AUD/bale

In other words, the Reserve Price cannot be 89.25 or 89.35 – but can be 89.20 or 89.30 etc

5. Buy it Now (BiN) price

A seller may choose (optionally) to set a BiN price. This is a price at which any mutual partner can confirm the offer, at the BiN price, at any time before the start of the auction. A seller can edit the BiN price.

It is also possible for a partner to place a counter bid against a BiN offer. If this happens then the subsequent negotiation is private between Buyer and Seller. New bids or offers will also be notified via the Negotiation Centre. Each bid, counter bid or counter offer is valid until withdrawn (cancelled), countered or confirmed. You cannot set a time limit on these counter bids and offers. If confirmed, then of course a contract is formed. When the scheduled auction starts, all negotiations that are ongoing will be automatically ended.

6. The auction process

Each auction lasts for a minimum of 10 minutes. During this period the seller is committed to maintain the offer on the terms stated, and if a Reserve Price has been set then it cannot be changed once the auction has started.

The Seller will define whether the auction is On Call or Fixed Price. If the auction is On Call then it must take place in USD c/lb. If the auction is Fixed Price, it can be in USD c/lb or EUR c/kg or AUD/bale or BRL/lb. Once the seller defines the currency/weight unit then the Buyers must bid according to the same definition.

The Seller defines all other contract terms, none of which are negotiable during an auction. Once an invitation has been sent to Partners (and as such a Start date and time have been set), then the only way to change a contract term is to cancel the auction. This is to avoid any misunderstandings when an auction starts – the terms that you saw when you were invited will always be the same terms during an auction.

Certain terms will initially only offer an editable field:

A. Payment Clause

Dragontree will allow two fixed templates and one editable field for the initial launch. To help maintain anonymity and assist sellers, we suggest that if possible the two following payment clauses are used as templates. This will maintain anonymity and offer a generic payment clause that buyers feel comfortable bidding against. Of course, the final decision is entirely up to the Seller.

    i. CAD clause: Buyer's bank to pay net cash by cable transfer upon first presentation of the following original documents from Sellers bank to Buyers bank. All bank charges except those charged by the Sellers bank are for the Buyer's account. Documents must include: Bill of Lading, Commercial Invoice, Certificate of Origin and Phytosanitary Certificate. Any amendment to these documents to be mentioned in Special Clauses or agreed later.

    ii. L/C: By irrevocable Letter of Credit opened by the Buyer and payable at sight, by TT reimbursement. The Buyers opening bank must be acceptable to the Seller and be negotiable at the bank of the Seller's choice, which must be an A1 bank. Seller should stipulate a date by which the L/C must be opened and workable, in order that the Seller can deliver/ship according to contract terms, which can be done in Special Clauses or agreed later.

Presentation of documents later than 21 days from the Bill of Lading date is acceptable, but in any event no later than the expiry date of the Letter of Credit. The LC shall be subject to and operate in accordance with UCP 600.

If neither of these two clauses is suitable then a third option is to choose a Special Payment Clause (SPC) which can be edited to suit the Seller. Please remember it will also need to be acceptable to the Buyers that are invited that that particular auction.

B. Fixation Clause

Dragontree is only able to allow one editable field for the initial launch. To help maintain anonymity and assist sellers, we suggest that if possible the two following fixation clauses are used as templates. This will maintain anonymity and offer a generic fixation clause that buyers feel comfortable bidding against. Of course, the final decision is entirely up to the Seller.

    i. Seller's right to fix per ICA Rules.
   ii. Buyer's right to fix per ICA Rules.

If neither of these two clauses is suitable then a third option is to choose a Special Fixation Clause (SFC) which can be edited to suit the Seller. Please remember it will also need to be acceptable to the Buyers that are invited that that particular auction.

The seller should also consider adding the following clause:

Seller may execute EFP transactions at prevailing ICE futures market values in lieu of giving fixation instructions. If on call contracts are fixed via EFP the deadlines for fixation remain unchanged.

Dragontree strongly recommends that if a Seller chooses from the set wording used in options i and ii that they familiarise themselves with the relevant ICA Rules.

There are several fields where free text can be used to expand or explain a contract term.

C. Special Clauses

This is one contract field where free text is used exclusively.

The ICA contract form is used as standard – which also means that every trade, unless stated otherwise, will be governed by ICA rules, bylaws and arbitration and English Law.

It is possible to trade under another set of Rules and Bylaws – in which case under Special Clauses this must be explicitly mentioned, which Rules and Bylaws will be chosen, and that ICA Rules and Bylaws are excluded.

Special Clauses can also be used to explicitly add or exclude any other term, address issues such as carry or fixations, take-up or any other right or obligation that the Seller sees as necessary within the contractual terms. Special Clauses are fully binding, so the buyer must scrutinise them carefully.

A Buyer may have set a Max Bid before an auction (see below) or can bid live during an auction. An auction ends once the ten minutes is over, unless there is a bid placed in the final thirty (30) seconds of an auction. In that case, the auction will extend for 30 seconds beyond the ten minutes. There will be a countdown timer, so you know how many seconds are left in an auction. This extension will continue if there is activity in the last 30 seconds, until there is no activity for 30 seconds. So, in theory an auction could never end. In practice, everyone has a limit.

This is a live cash commodity auction – all offers, and bids, are firm and once placed cannot be withdrawn during an auction process. The only exception is a Max Bid, which can be cancelled before an auction, and lowered before or during an auction, unless it is currently the high bid in a live auction.

7. Buying at auction

You will only have access to an auction if you have a mutual Partnership with the seller.

When an auction time and date are set, invitations are sent to the seller's Partners. Should you receive an invitation it means you have a mutual Partnership.

You can choose to accept an invitation any time up until the end of an Auction. You can also choose to receive this via SMS and via the Negotiation Centre.

If a BiN price is added to the offer, then as a partner you will be allowed to bid on this cotton before the auction starts. Please see section 5. BiN above.

If you accept the invitation before or during an Auction, then you can use the Max Bid function. The logic governing Max Bid is as follows:

- The Max Bid can only be a factor of the minimum increment (see point 4)
- The Max Bid will never be exceeded for that Buyer
- You will only be forced to bid at your Max Bid if there is another Buyer who places a bid which is either below your Max Bid by the minimum increment, or equal to your Max Bid. In both these cases you will be pushed to your Max Bid if it was placed prior to another Buyer placing their bid.
- Otherwise, your Max Bid will be used to ensure you are the high bid, by a margin equal to the minimum increment, for as long as nobody has placed a Max Bid or Bid above your Max Bid.

For example:

Buyer A places a Max Bid before an auction starts of 85.10 usc/lb

Buyer B places a Max Bid before an auction starts of 86.00 usc/lb

Buyer C places a Max Bid before an auction starts of 86.50 usc/lb

No other buyers place a Max Bid before the auction starts

At the auction opening time, the price clears to 86.10. This is the highest that Buyer C must bid to maintain themselves as the high bid.

Buyer D enters the auction during the live period and places a bid at 86.20.

Buyer C is pushed to 86.30

Buyer E then enters the auction during the live period and places a bid at 86.50

Buyer C is pushed to 86.50 and the bid from Buyer E is rejected

Buyer F now enters the live auction and places a bid at 86.60

Buyer F becomes the high bid at 86.60

If two buyers place the same bid at a similar time, then Dragontree will rule on which bid hits the server first and that bid will be accepted while the other bid will be rejected.

The Max Bid function can be used before or during an auction

There is also a Bid function – which can be used to place a single Bid. Using the Bid button will bypass any of the Max Bid logic and will allow a buyer to place a Bid at a specific price.

For example:

Buyer A places a Max Bid before an auction starts of 85.10 usc/lb

Buyer B places a Max Bid before an auction starts of 86.00 usc/lb

Buyer C places a Max Bid before an auction starts of 86.50 usc/lb

No other buyers place a Max Bid before the auction starts

At the auction opening time, the price clears to 86.10. This is the highest that Buyer C must bids to maintain themselves as the high bid.

Buyer D decides to place a Bid at 86.40 – which pushes Buyer C to 86.50

Buyer D then decides to place a Bid at 87.00

The high bid will now show at 87.00 and NOT at 86.60, which is where the bid would have gone to if Buyer D has used Max Bid.

Buyer D simply wanted to take the price to a specific value, rather than remain 10 pts ahead of the other Buyers.

If you are the high bid, you cannot withdraw this bid until either a) a higher bid is placed or b) the auction ends with no result.

If your Max Bid is the high bid, then you cannot withdraw or lower this bid.

If you are the high bid, but this price is below your Max Bid, then you can lower your Max Bid during an auction, but it must be equal to or above your current high bid.

Before an auction starts you may place a 'Scheduled Bid' – this will place a bid at the level you specify, regardless of where other buyers are bidding, once the auction opens. You may withdraw this bid before the auction starts, but you cannot withdraw it once the auction has started.

During an auction the Scheduled Bid button will change to Place Bid. The logic remains the same which is that you will bid at this price, and with immediate effect. It is independent of other buyers. Your bid cannot be withdrawn or lowered.

8. Auction termination

An auction finishes with one of the following results, in every case:

    i.   The high bid is equal to or higher than the Reserve price. The Company with the high bid will automatically buy the offer. An ICA contract form with full terms and the agreed price will be sent to both Buyer and Seller, with full name and address of each on the contract form.

    ii.   The high bid is lower than the Reserve Price. The Seller will be allowed five (5) minutes from the end of the auction to choose to sell to the high bid. This means the Seller will see the high bid and may or may not sell to that bid. If the Seller confirms then an ICA contract form is issued. At the end of five (5) minutes the auction will end with no trade confirmed if no bid is selected, unless the seller has rejected the bid before the five (5) minutes has expired.

    iii.   If no Reserve Price was selected, then the Seller will sell to the high bid automatically when the auction terminates. An ICA contract form with full terms and the agreed price will be sent to both Buyer and Seller, with full name and address of each on the contract form.

If an auction terminates with a confirmed trade, then an ICA contract form is issued to Buyer and Seller. A full audit trail of the Offer and all Bids exists on the database.

If the BiN or a counter on the BiN is confirmed then a contract will be formed and the auction will not go ahead.

9. Post trade

A full Archive exists for all auctions that are held. This will include all confirmed trades, and auctions that were held but no trade was confirmed. All information within Archives is anonymous.

A Seller can go to Archive and select their previous offers to use as a template for a new Offer.

10. Technical and Security details

Dragontree has been designed from the ground up to with data security and system reliability as the core pillars of our service. Your data is protected both at rest and in transit using industry proven, high grade encryption and hashing algorithms. The cloud services that power Dragontree have been developed in partnership with Microsoft across fully GDPR compliant data centres spanning multiple locations around the world, providing fault tolerance and cross-region redundancy at global scale. Automatic geo-replication of data stores and backups in triplicate ensure that should the worst happen our disaster recovery procedures are well defined and robust.