

## Good Trading Practices in Electronic Bidding Processes : Reverse Auctions

Recommended best practice guidelines designed  
to ensure fair trading and to avoid misuse

### 1. Transparency

- All participants in the bidding/reverse auction process should be fully visible and known to all parties concerned in order to:
  - avoid any kind of manipulation (such as the involvement of ‘dummies’)
  - guarantee that only “qualified” suppliers with sufficient capacity are involved.
- In cases where this transparency is not feasible, the auctioneer must be sufficiently informed to be able to guarantee that all participating bidders are qualified suppliers with sufficient available capacity for the product and order volume offered.
- The winner of the bidding process should be made known without delay to all parties involved.

### 2. Acceptance Criteria

- Must be clearly defined
  - be it “best price”
  - be it “best package” of various, clearly specified, criteria such as: “price + terms of payment + .....
- Once the acceptance criteria have been fulfilled and the best bid accepted, this acceptance will represent a full commitment to proceed to a contract to purchase.
- No withdrawal by the auctioneer and his client can be accepted once this stage is reached.

### 3. Specification

- Must be defined for all participants in the same way.
- Must include core information on:
  - terms of payment (including currency)
  - terms of delivery (including validity)
  - technical specification: The supplier should be able to suggest an alternative specification and the buyer should be able to accept or reject the suggestion. (In such circumstances, any amended specification offered must be communicated to all participants).
  - quantities
  - terms of trade
  - outer packing
  - should name the ultimate end user and intended application – this to ensure complete product ‘fitness for purpose’ and to avoid later misunderstandings or liabilities.

### 4. Security and Confidentiality

- Certification by a well-established external auditor should guarantee absolute security and confidentiality in the handling of data. All information passed between the auctioneer, the client and all other parties must remain completely confidential and used exclusively for the bidding event for which it has been provided.
- Technical precautions should be put in place to protect against possible user mistakes and decision changes during the processes of the auction (e.g double-click-systems or withdraw/return buttons).

### 5. Supervision

- On request, the record of the bidding/reverse auction process must be made available to an independent external auditor (to be agreed upon prior to the bidding/reverse auction process) for evaluation, and with the obligation – in case of inconsistency with the rules laid down – to inform any victim regardless whether it has initiated the request or not in a way that confidentiality of third party data is ensured.

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