



CME CF Cryptocurrency Pricing Products

Oversight Committee Meeting Minutes (SUMMARY)

July 31st 2020

Attendees

Chair: Payal Lakhani

MM: Michael Moro

TS: Timo Shclaefer

WK: William Knottenbelt

MB: Max Boonen

Administrator: Sui Chung CEO, CF Benchmarks

EVDA: Evelien van den Arend, Head of Legal and Regulatory Affairs, CF group

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1 Conflicts of Interest

The Chair asked members if they were subject to any conflicts of interest. There were none and the meeting began at 1507 London Time

2 Standing Items

The Administrator reminded the committee of the reports that had been sent by the Administrator to the committee since the last meeting. As well as the standing monthly metrics reports the committee discussed an incident report relating to an outage suffered by web security provider Cloudflare on July 17th. This caused significant portions of the public internet, including Constituent Exchange websites and their API's to be inaccessible for a period and calculation failure for some of the CME CF Cryptocurrency Pricing Products. The Administrator confirmed that the same report had been made available to its Regulator, the UK FCA.

3 Update to the Administrators BMR Audit and Recommendations from Auditor

The Administrator informed the committee that the preliminary stages of its audit have been completed and the auditor is on track to deliver its report in August. The report will be made public on the Administrators website and will also be shared with the committee in advance of publication.

In light of the audit process the Administrator wished the committee to consider certain changes to the composition of the committee and its responsibilities and presented the draft documentation to the committee.

These discussions resulted in resolutions that:

- Approved the addition of a non-voting member to the committee and for the committee Founding Charter to be amended to reflect this change
- Approved additional responsibilities of the committee providing oversight to consultations in the case of cessation of any of the CME CF Cryptocurrency Pricing Products and to report any breaches of the EU BMR regulations that it becomes aware of to the relevant supervisory authority to the committees founding charter. These changes were to be reflected in the committees founding charter without undue delay.
- Approved additional sections to the benchmark methodologies regarding, Underlying Economic Reality, Expert Judgement and Methodology Review and Changes to both the **CME CF Reference Rate Methodology** and the **CME CF Real Time Index Methodology**
- Approved the changes to the definitions of Original Token and New Token in the CME CF Hard Fork Policy to more accurately reflect the policy's intention. These changes were to be reflected in the committees published founding charter without undue delay.

3 Volume Contribution of Exchanges to the CME CF Reference Rates and Constituent Exchange Criteria 2

The Administrator reminded the committee of the constituent exchange criteria and the analysis that had been conducted and provided to the committee surrounding the performance of exchanges vis a vis volume contribution.

The committee discussed

- Whether any constituent exchange was causing any operational issues for the calculation of the indices and does a low volume contribution trigger any of these issues
- Whether any constituent exchanges were no longer focused on providing exchange services and hence were now less relevant to the market
- How the committee should consider volume contribution of existing constituent exchanges versus the entry criteria

The committee resolved to monitor constituent exchange volume contributions closely and should it feel that any constituent exchange's volume contribution no longer merited continued inclusion that steps be undertaken to remove them as a constituent exchange ensure that there is no negative impact to the representativeness or integrity of the benchmarks.

4 Proposed change to the implementation of the Potentially Erroneous Data Parameter for CME CF Real Time Indices

At the previous meeting the Administrator proposed changes to the manner in which the **Potentially Erroneous Data Parameter** is implemented for CME CF Real Time Index calculations.

The committee saw merits in the proposal but wished to see deeper analysis of the behaviour of the proposed implementation compared to the existing implementation. The committee accepted that there may not have been circumstances where the actual parameter thresholds had been met but a simulation including lower thresholds would illustrate the behaviours to allow for its consideration.

The Administrator presented an analysis of the behaviour of the index with the current implementation and one with the proposed implementation. The graph showed the path of the values with the proposed implementation was much smoother which the Administrator believed was a better representation of the price given that a consolidated orderbook is utilised as input data to the calculation. Proposed wording changes to the methodology were also presented.

The committee discussed how the proposed implementation generated a smoother and more representative path for the index level and resolved that the new implementation of the Potentially Erroneous Data Parameter be put into production for the CME CF Real Time Indices and their methodologies updated without undue delay.

5 A.O.B.

The committee asked for an update of the Administrators discussions with further potential constituent exchanges.

The Administrator summarised its review of the market and raised one exchange as a potential candidate exchange, The committee raised questions around the suitability of the exchange given its corporate structure and ultimate controllers.

The Administrator confirmed to the committee that the relevant background entity information would be provided when the Administrator had completed its due diligence and the exchange was formerly tabled for the committees consideration.

There being no further business adjourned the meeting at 1640 London time.