



CME CF Cryptocurrency Pricing Products

Oversight Committee Meeting Minutes (SUMMARY)

December 10th 2021

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Attendees

Chair: Gavin Lee

PS: Payal Shah

TS: Timo Schlaefer

MB: Max Boonen

WK: William Knottenbelt

AA: Andreas Athansopoulos

MM: Michael Moro

Administrator: Sui Chung

Administrator Compliance: Neil Grant

There being no conflicts of interest declared the meeting began at 1303 London time

1 Standing Items

The Administrator asked for question or queries from the committee regarding any of the reports that were provided to the committee since the previous meeting

The Administrator Compliance member also asked committee members that were not present at the previous meeting to whom minutes had been provided for any questions against the conflict of interest that had crystallised for the Administrator and its staff and how this was being managed and mitigated.

2 Annual Review of Constituent Exchanges and their conformance to the Constituent Exchange Criteria

The Administrator introduced the item by reminding the committee of the CME CF Constituent Exchange Criteria and the manner in which the Administrator has verified and confirmed the conformance of Constituent Exchanges previously and the process it undertook for this annual review.

The Administrator then went on to present its findings for each exchange individually

Bitstamp

The Administrator summarised the information that was provided to the committee in the meeting agenda pack.

In response to questions from the committee the Administrator confirmed that its information sharing agreement with Bitstamp is of a rolling nature and that at the end of the initial period it will automatically move to a renewal period.

The Administrator also confirmed to the committee that this was the structure of all its information sharing

Coinbase

The Administrator summarised the information that was provided to the committee in the meeting agenda pack.

In response to questions from the committee the Administrator confirmed that only transactions conducted through the exchange orderbook are included as input data to any CME CF Reference Rate or Real Time Index.

Gemini

The Administrator summarised the information that was provided to the committee in the meeting agenda pack.

In response to questions from the committee the Administrator confirmed that in reviewing constituent exchanges it only deemed regulatory updates regarding the markets from which the Administrator drew input data to be of relevance.

Kraken

The Administrator summarised the information that was provided to the committee in the meeting agenda pack.

In response to questions from the committee the Administrator confirmed that the systems itemised by Kraken were indeed in full production

itBit (Paxos)

The Administrator summarised the information that was provided to the committee in the meeting agenda pack.

There were no questions on the contents.

The Committee resolved that it had provided oversight to the Administrators review of the conformance of the Constituent Exchanges to the CME CF Constituent Exchange Criteria.

3 Extension of the CME CF BRR by launch of New York Close Variant (BRRNY)

The Administrator summarised the demand from the market for different time variants to the BRR, that is utilising the same methodology and Constituent Exchanges but observing a different observation window for transactions so as to be able to provide the variant to coincide with market and operational requirements in different jurisdictions. Specifically, the demand was coming from the US where market participants and potential licensees were seeking a USD benchmark rate for Bitcoin to coincide with the traditional US market close of 1600 New York Time.

The Administrator summarised the underlying data sufficiency metrics on both an overall rate level and on the partition level for such a variant versus that for the CME CF BRR itself.

The committee discussed the use cases of benchmark variants that are calculated at the time associated with the traditional market close in the USA.

The Administrator confirmed that as a variant of the CME CF BRR all elements of the methodology remain the same including all Constituent Exchanges of the BRR save for the time of the observation window (1500 to 1600 NY time) and the time of publication (1600 NY).

The committee resolved to provide oversight to the new CME CF Bitcoin Reference Rate – New York Variant

4 Extension of the CME CF Ether Dollar Reference Rate - New York Close Variant (ETHUSD_NY)

The Administrator summarised the demand from the market for different time variants to the ETHUSD_RR that is utilising the same methodology and Constituent Exchanges but observing a different observation window for transactions so as to be able to provide the variant to coincide with market and operational requirements in different jurisdictions. Specifically, the demand was coming from the US where market participants and potential licensees were seeking a USD benchmark rate for Ether to coincide with the traditional US market close of 1600 New York Time.

The Administrator summarised the underlying data sufficiency metrics on both an overall rate level and on the partition level for such a variant versus that for the CME CF ETHUSD_RR itself.

The Administrator confirmed that as a variant of the CME CF ETHUSD_RR all elements of the methodology remain the same including all Constituent Exchanges of the ETHUSD_RR save for the time of the observation window (1500 to 1600 NY time) and the time of publication (1600 NY).

5 Confirmation of the Conformance of an Exchange to the CME CF Constituent Exchange Criteria

The Administrator presented the due diligence that it had performed to confirm a new exchange's conformance to the CME CF Constituent Exchange Criteria 2 through 5.

The committee discussed the materials presented and confirmed that in terms of criteria 2, 3 and 4 all materials indicated that the exchange was in conformance with the CME CF Constituent Exchange Criteria.

The committee then asked some specific questions including; whether the API from which the Administrator was accessing input data was not yet open to the public and also sought confirmation on whether the required information sharing agreements had been executed.

The Administrator confirmed that the exchange API was not yet publicly accessible, and that the required information sharing agreements were not yet executed and proposed that inclusion of the new exchange be contingent on these items being confirmed by the Administrator.

In light of the fact the committee has yet to review volume contribution data. that the API is not yet publicly available and that information sharing agreements are not yet executed the committee resolved it would have to defer confirmation of conformance until all the criteria can be confirmed.

6 Potential New Assets for Which Indices are being Considered for the CME CF Cryptocurrency Pricing Products

The Administrator has been receiving increased inquiries from potential licensees seeking benchmarks for a number of assets to be added to the CME CF Cryptocurrency Pricing Products. The Administrator seeks the opinion of the Committee on the potential suitability of a number of digital assets for benchmarks to be created for inclusion within the CME CF Cryptocurrency Pricing Products. against these respective considerations:

- Network Stability
- Investor Interest (incl. geographical and types)
- Use and Investment Case
- Concerns/ Red Flags

The Administrator confirmed it was not seeking a resolution from the committee on the launch of any specific benchmarks but was seeking to gain an understanding of the framework by which it should consider specific assets and their suitability for the CME CF family.

The committee discussed the degree of investor interest in specific assets and concluded that all those discussed were both large in relative capitalisation terms and were sufficiently liquid to allow for the reliable determination of a benchmark. Of the group of assets discussed each had distinct investment cases in the minds of most investors, The committee further agreed that the degree of interest in each asset was consistent across the major geographies and that none was a specifically geographically centric asset

The committee discussed the stability of the blockchain networks for a number of digital assets and how considerations for underlying networks differ for proof of work chains and proof of stake chains. Of the asset discussed it was pointed out only 2 were proof of work, one of which had shown very strong stability whilst the other had undergone a series of hard forks in recent years.

The committee noted that the assets in question did not raise any other considerations that it had to consider nor any areas of concern.

7 A.O.B.

The committee requested that it be given a more detailed briefing of the use cases for licensing of the benchmarks given their growing use. The committee acknowledged that the commercial aspects of the indices are out of scope of the committee but felt it would benefit greatly from a better understanding of the different use cases of index licensees. This would help to ensure that the oversight the committee provides takes into account all of these use cases. Furthermore as licensing was now increasing the committee should be given visibility on how the indices are considered under BMR *vis a vis* the Assets under Reference thresholds for Critical and Significant benchmarks

The Administrator would provide a briefing on Licensee use cases and separately the BMR defined AuR will be added as a standing data item to the committee meeting agendas going forward.

There being no further business the meeting was adjourned at 1525 London Time.