

# **cf**benchmarks

CF Cryptocurrency Index Family

Oversight Function Meeting Minutes

January 14<sup>th</sup> 2022

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# Attendees & Quorum

Oversight Function: Neil Grant

Administrator: Sui Chung

# Conflicts of Interest

The Oversight Function confirmed it was not subject to any conflicts of interest that have arisen since the previous meeting and that none of the agenda items presented a conflict.

## 1 Standing Items

The Administrator reminded the Oversight Function of the monthly metrics reports that had been provided since the previous meeting and asked for questions and comments. The Oversight Function confirmed there were no questions on the monthly metrics but the December Report was missing. The Administrator agreed to circulate after the meeting.

The Administrator summarised the surveillance alerts that had been triggered and reviewed. The Oversight Function had no queries regarding these alerts that had been reviewed and closed since the last meeting of the Oversight Function.

The Administrator confirmed that the Firm's figure for 'Assets under Reference', in accordance with the BMR definition, was currently c. €10m.

## 2 Change to CF Benchmarks Governance & Oversight Policy Section 4.3 – Methodology Assessment Changes

The Administrator's Governance & Oversight Policy under section 4.3 mandates a minimum backtest or observation period of 3 months before the launch of a new index. This requirement was put in place in 2019 when the technology infrastructure of CF Constituent Exchanges was immature including the APIs that the Administrator relies upon for data collection and market liquidity was relatively low. In conjunction with these market characteristics the Administrators methodologies had been applied for a relatively short time so its behaviours in different scenarios were unknown.

The Administrator presented the case to the Oversight Function of changing the minimum backtest or observation period from 3 months, as mandated by section 4.3 of the Governance & Oversight Policy, to 45 days.

The Administrator went on to say that now that the Firm's infrastructure is more mature, APIs are more reliable and better understood and the Firm has now administered benchmarks for a number of years; a 45 day observation period was now sufficient.

The Oversight Function agrees that the Firm has now matured and already has observed all types of scenarios that could impact the Benchmark The Oversight Function went on to add that comfort will be found in the fact new constituent exchanges will have their APIs checked and reviewed thoroughly as part of the onboarding process.

The Administrator confirmed that, in accordance with the Operational Framework, constituent exchanges will still need a minimum of 90 days connectivity history to be onboarded.

The Oversight Function resolved to approve the change to the Administrator's Governance & Oversight Policy allowing for the reduction of the observation window for new indices from 90 days to 45 days.

## 3 Launch of CF DeFi Composite Index to the CF Cryptocurrency Index Family – Multi Asset Series

The Administrator presented the intention to launch a DeFi Composite index, the underlying assets will be classified as DeFi assets by the CF Digital Asset Classification Structure (DACs).

The Administrator confirmed that the methodology, including the composition, will be publically available.

The Oversight Function asked if there is an index for each of the tokens included. The Administration confirmed that there was, although this was not a stipulation of the launch of the composite index.

The Administrator presented to the Oversight Function the weight allocations that would make up the index, including the weight allocated to DeFi protocols, service protocols and settlement infrastructure.

The Oversight Function agreed with the weighting methodology.

The Administrator also presented different settlement times, 4pm in London, New York and Brazil respectively.

The Administrator confirmed these will be the same methodology just with different settlement times.

The Oversight Function resolved to include and provide oversight to the CF Defi composite index.

## 4 Launch of CF Web 3.0 Smart Contract Platforms Index

The Administrator presented its intention to launch a WEB 3.0 Smart Contract Platforms Index. The Administrator presented the details, including free flow market cap weightings and the use of a soft cap for weighting and re-balances.

The Oversight Function asked what the frequency of the regular rebalancing will be.

The Administrator confirmed that the rebalancing is quarterly for multi asset series, and reconstitution is bi-annually.

The Administrator confirmed that this index will also have a Brazil settlement time.

The Oversight Function resolved to agree to provide oversight for the CF Web 3.0 Index.

## 5 Launch of CF Diversified Large Cap Index.

The Administrator proposed the launch of the CF Diversified Large Cap Index. The Administrator confirmed that the index had no sectorial theme but instead aimed to provide a capitalisation range index of a diverse nature.

The Administrator explained to the Oversight Function how the 'Diversifier Multiple' will work, which will reduce impact of weight caps and increase diversification.

The Oversight Function asked the Administrator to provide Bitcoin data which was missing at the time. The Administrator confirmed that the data will be sent later.

The Oversight Function requested that New York settlement time data will need to be provided before a New York settlement time is approved.

Pending the review of the data's sufficiency, the Oversight Function resolved to agree to provide oversight for the CF Diversified Large Cap Index.

*The meeting was adjourned at 14:30 London Time with all parties to reconvene at a later time.*

## 6 Conformance of Constituent Exchanges to CF Constituent Exchange Criteria

The meeting reconvened on the 19th January at 15:00 London Time.

The Administrator presented the review of each constituent exchange including a review of their market surveillance systems, policies and procedures as well as staffing and team structures, security and custody controls, product suite and regulatory status.

The Oversight Function reviewed all constituent exchange reviews and resolved to agree that all constituents were in conformance with the constituent exchange due diligence criteria and that the due diligence process and findings had been sufficiently overseen.

## 7 Conformance of LMAX Digital to the CF Constituent Exchange Criteria

The Administrator presented data showing LMAX Digital's conformance with the CF constituent exchange criteria.

The Oversight Function confirmed that LMAX would meet the CF constituent exchange criteria and resolved to approve them as a constituent exchange once LMAX Digital's public API has been publicly released and as long as it continues to behave in the manner that the test version has and the LMAX Digital may be onboarded once the required data has been observed and required notifications have been made to index users.

## 8 Regulatory Update – EU BMR

The Administrator stated that they have a number of licensees offering their products and services within the EU and that the Administrator had expected a post-Brexit equivalence arrangement between the UK and EU regimes would have been introduced sooner than what now looks to be a further away timeline. Due to this, the Administrator will seek recognition in the EU as an equivalent benchmark provider.

The Oversight Function resolved to support this application where required.

## 9 A.O.B.

There being no further business the meeting was adjourned at 16:00 London time.