



# CME CF Cryptocurrency Pricing Products Oversight Committee Meeting Minutes (SUMMARY)

May 21<sup>st</sup> 2024

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# 1 Attendees & Quorum

**Chair:** Payal Shah

**MR:** Maximilian Ruscher

**MM:** Michael Moro

**TS:** Timo Schlaefer

**WK:** William Knottenbelt

**TU:** Thomas Uhm

**MB:** Max Boonen

**LS:** Lana Sinelnikova

**Administrator:** Sui Chung (CEO)

**Administrator Compliance:** Alise Kane (Compliance Officer)

**Conflicts of interest:** There being no conflicts of interest the meeting begun at 13:35 after quorum was declared.

## 2 Standing Items

The Administrator provided the committee with summary of Surveillance Alerts that triggered since the previous meeting to which there were 58. The Administrator then discussed thresholds for populating Surveillance Alerts write ups.

Next, the Administrator confirmed that Assets Benchmarked to CME CF Cryptocurrency Pricing Products as of March 28th, 2024, remain below the €50bn threshold and therefore CF Benchmarks indices will remain “Non-Significant”.

The Committee then reviewed metrics reports and discussed Reference Rates publication times. The Administrator advised the Committee the dissemination and publication going forward will be direct to Bloomberg and CME will no longer be part of the processes, it was also confirmed this won't impact licensees.

## 3 Annual Review of Declared Conflicts of Interest

As part of the Administrator's ongoing regulatory obligations under the UK BMR, the Administrator's compliance function reviewed all existing declared conflicts of interest to ensure that those do not compromise the activities of the Administrator or the Committee Members abilities to discharge their duties as described within the CME CF Oversight Committee Founding Charter. As part of the process all Committee Members were contacted for updates.

The Administrator highlighted that given CF Benchmarks intentions to launch multi asset indices as part of CME CF Cryptocurrency Pricing Products one potential conflict that pertains to a member of the Committee was reviewed and potential mitigating measures were discussed during the meeting.

The Administrator confirmed that the existing mitigating actions remain appropriate and all items will be reviewed in the future as scheduled.

# 4 Annual Review of CME CF Cryptocurrency Pricing Products Oversight Committee Documentation

The Administrator presented the Committee Members with documents which are subject to an annual review by the Committee, suggested changes were included as mark-up(s).

The committee discussed the changes to the documents, most of which were minor updates with no substantial changes in terms of their aims or approaches.

The committee resolved that it had reviewed the documentation and agreed to proposed changes for the following documents:

- CME CF Conflicts of Interest Policy
- CF Benchmarks Governance and Oversight Framework
- CF Benchmarks Accountability Framework

During the previous meeting the Oversight Committee approved changes for the below 4 documents:

- CME CF Cryptocurrency Real Time Indices – Methodology Guide
- CME CF Cryptocurrency Reference Rates – Methodology Guide
- CME CF Cryptocurrency Reference Rates – Benchmarks Statement
- CME CF Oversight Committee Founding Charter

The Administrator didn't propose to make any changes to:

- CME CF Constituent Exchanges Criteria
- CME CF Hard Fork Policy

## 5 Potentially Erroneous Data Parameter Review

The Administrator reminded the Committee Members that as part of the Oversight Committee Founding Charter Section 2 (Committee Responsibilities), the Committee shall review Potentially Erroneous Data and Restatement & Republishing Parameter for the CME CF Cryptocurrency Pricing Products annually.

The Committee was reminded that this parameter was last reviewed for BTC and ETH asset pairs in April 2023 and given the purpose of the potentially erroneous data parameter it would be prudent to review the parameter across all asset pairs.

The Committee considered the analysis and resolved to amend Potentially Erroneous Data parameter across all asset pairs from 10% to 5% except for CHZUSD asset pair which remained unchanged.

## 6 Restatement & Republishing Parameter Review

The Administrator reminded the Committee that Real Time Indices publish once per second and are not restated and republish given the frequency. However, Reference Rates are subject to restatement & republishing before 23:59:59 London time of any given calculation day due to errors made by the Calculation Agent (CF Benchmarks) or its systems. Under the current methodology rules, a Reference Rate will be restated & republished only where an absolute variance is greater than 0.20% for the respective Reference Rate for the given calculation day.

The Administrator and the Committee discussed current assets under reference figures and a \$ impact in the event a reference rate value is required to be restated.

The Committee considered the analysis the Administrator prepared and resolved to amend a restatement & republishing parameter from 0.20% to 0.10%.



## 6 Addition of new Benchmarks

The Administrator proposed for additional assets to be covered by the CME CF Cryptocurrency Pricing Products given that it keeps receiving interest from licences. The Administrator presented 2 Asset Pairs and a Ratio Index to the Committee to seek to add both Reference Rates and Real Time Indices for each to the CME CF Cryptocurrency Pricing Products.

- Internet Computer (ICP) - US Dollar Reference Rate and Real Time Index
- Ripple (XRP) - US Dollar Reference Rate and Real Time Index
- Bitcoin (BTC) – Ether (ETH) Ratio Index against US Dollar Reference Rate and Real Time Index

The Administrator summarised the demand from the market for different time variants to the XRTUSD\_RR, LINKUSD\_RR, SOLUSD\_RR and MATICUSD\_RR that are utilising the same methodology and Constituent Exchanges but observing a different observation window for transactions so as to be able to provide the variants to coincide with market and operational requirements in different jurisdictions. Specifically, the demand was coming from the US region where market participants and potential licensees were seeking additional USD benchmark rates to coincide with the traditional US market close of 1600 New York Time.

- Ripple (XRP) against US Dollar - New York Variant
- Chainlink (LINK) against US Dollar - New York Variant
- Solana (SOL) against US Dollar - New York Variant
- Polygon (MATIC) against US Dollar - New York Variant

The committee discussed transaction volumes published by Constituent Exchanges and noted that the hour preceding 1600 London Time and 1600 New York Time was liquid for all the Asset Pairs in question.

The committee then went on to analyse the data sufficiency metrics and agreed that there was ample trading volume as well as sufficient numbers of Bids and Asks in the proposed observation window for a robust Reference Rate and Real Time Index calculation for proposed Asset Pairs and time variants.

The Administrator asked that the Committee resolves to provide oversight of the resultant Reference Rates and Real Time Indices which the Administrator shall seek to begin publishing the indices in two stages.

The Committee resolved on the launch of proposed Reference Rates and Real Time Indices.

## 7 Addition of LMAX Digital to Certain Asset Pairs of the CME CF Cryptocurrency Pricing Products

The Administrator has conducted a review of the existing Constituent Exchanges conformance to criterion 1 (volume contribution) of the existing CME CF Cryptocurrency Pricing Products.

The Committee discussed the analysis and resolved for LMAX Digital to be added as a Constituent Exchange to XRPUSD\_RR.

## 8 Launch of Multi Asset Indices - Part 1, Ground Rules

The Administrator reminded the Committee that it is looking to extend its current product offering and wishes to propose the launch of a new sub-family of portfolio indices "**Multi Asset**" under the *CME CF Cryptocurrency Pricing Products* "CME CF" index family.

The Committee and the Administrator discussed an approach to constituent selection.

- The Committee will not be tasked with decisions on the constituents or weights of the index, the index at inception and at each subsequent reconstitution and rebalance will be entirely rules determined.
- For any CME CF Multi Asset Index only assets with existing CME CF Single Asset Benchmarks will be eligible for inclusion as a constituent

The Committee was requested to review Ground Rules before the next meeting.

## 9 Appointment of External Auditor

The Administrator confirmed that an Auditor was appointed to undertake an Independent Reasonable Assurance Type Audit in respect of the firm's control procedures that relate to compliance with the UK BMR.

## 10 A.O.B

There being no further business the meeting was adjourned at 15:40 London Time.