

# crypto facilities

CF CRYPTOCURRENCY OVERSIGHT FUNCTION

Meeting Minutes

20<sup>th</sup> December 2018

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# 1 Attendees & Quorum

**Darren Minness:** Oversight Function, Crypto Facilities

Sui Chung and Graham Macdonald presented to the Oversight Function as representatives of the Administrator.

The Meeting began at 1010 London Time on December 20<sup>th</sup> 2018.

## 2 Conflicts of Interest

The Oversight Function confirmed that it was not subject to any conflicts of interest in reviewing any of the agenda items.

## **3 CF Bitcoin Cash – Dollar Settlement Price and CF Bitcoin Cash – Dollar Spot Rate Suspension due to the Hard Fork event on November 15<sup>th</sup>, 2018**

The Administrator presented its review of the events that led up to the scheduled Bitcoin Cash network upgrade, the manner in which the upgrade was contentious and the resultant hard fork. The Administrator then went on to summarise the actions it undertook in light of these events.

The Oversight Function thanked the Administrator for its summary and asked how the actions that were undertaken during these events conformed with the provisions of the CF Cryptocurrency Index Family Hard Fork Policy.

The Administrator confirmed that the actions it undertook as the events unfolded were in conformance with the CF Cryptocurrency Index Family Hard Fork Policy.

However, the Administrator brought to the Oversight Functions attention that although the CF Cryptocurrency Index Family Hard Fork Policy provided clear guidance on the actions that the Administrator needed to undertake to ensure benchmark integrity during hard fork events it was insufficiently detailed in a number of areas:

- The trigger events for informing the Oversight Function of actions undertaken by the Administrator
- The waterfall of potential actions to be undertaken by the Administrator could potentially be insufficient to address certain scenarios that could have occurred
- The waterfall of potential actions would not address all the provisions of the regulatory requirements that the Administrator is seeking to comply with

The Administrator then presented a revised version of the CF Cryptocurrency Index Family Hard Fork Policy that provided additional provisions to address these areas.

The Oversight Function recognised the Administrators concerns and asked the Administrator to confirm:

- If any technological or infrastructural changes would be required to implement this revised policy and if required what the timescales of implementation would be
- If the procedures described would be incompatible with any existing policies and procedures and require those to be amended

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\*The full report was subsequently provided by email on December 28<sup>th</sup> 2018

- Whether under this revised CF Cryptocurrency Index Family Hard Fork Policy the actions undertaken during this Bitcoin Cash Hard Fork Event (15<sup>th</sup> November 2018) would have been different and produced different outcomes

The Administrator confirmed that:

- The new provisions were all procedural and could all be implemented when required with the Administrators existing technology infrastructure
- The revised CF Cryptocurrency Index Family Hard Fork Policy would not require any changes to any of the Administrators' other policies and procedures
- The actions and outcomes for this Bitcoin Cash Hard Fork Event (15<sup>th</sup> November 2018) would have been the same under the revised policy

The Oversight Function approved the adoption of the revised CF Cryptocurrency Index Family Hard Fork Policy.

## 4 Review of Beta Test Indices for Inclusion in the CF Cryptocurrency Index Family

The Administrator has been calculating two indices in beta test and proposes to launch them publicly as members of the CF Cryptocurrency Index Family.

The CF Cryptocurrency Index Family Oversight Function Specification defines the inclusion of any additional benchmarks to the CF Cryptocurrency Index Family as within scope of the CF Oversight Function.

The Administrator has codified criteria that must be met before the inclusion of any new benchmarks in the CF Cryptocurrency Index Family. These criteria are laid out in the below policies:

- CF Benchmarks Input Data Assessment
  - Input Data Source Criteria - Source Assessment
  - Input Data Source Criteria – Technical Assessment
  - Data Sufficiency – Analysis & Assessment
  
- CF Benchmarks Governance & Oversight Framework
  - Methodology Assessment Metrics

The Oversight Function was presented with beta calculation histories and associated data analytics for the two prospective benchmarks against the above criteria of for its consideration.

The Oversight Function asked the Administrator to confirm:

- When it was targeting the publication of these indices
- What processes would be followed to ensure that moving to full production for these indices would not result in any unforeseen disruption

The Administrator responded:

- The earliest window for deployment would be in mid-January 2019
- The processes described in **CF Benchmarks Operational Framework – Change Controls** would be followed

## 5 The Administrators Regulatory Status and Policy Review

The Administrator informed the oversight function of the regulatory process that it had undertaken and potential changes to its organisational structure at the conclusion of this process. As a part of this process the Administrator had formulated a series of policies with associated processes and procedures as part of this regulatory programme. The oversight function was asked for its view on their fitness for the administration of the CF Cryptocurrency Index Family.

The Oversight Function was asked to give specific scrutiny and advice on policies and processes that are defined as within scope by the CF Cryptocurrency Index Family Oversight Function Specification.

- Any potential changes to benchmarks methodologies of the CF Cryptocurrency Index Family – ***Governance & Oversight Framework Section 4.4 Changes to Benchmark Methodologies – definitions of materiality***
- Any potential cessation of a member of the CF Cryptocurrency Index Family - ***Appendix IV Benchmark Methodology Change & Cessation Consultation Processes***
- The Administrators **Control Framework**

The Oversight Function asked for more detailed explanations of some aspects of the policies under review and whether all the surveillance measures cited in the Administrators Control Framework were in full operation. The Administrator confirmed that the measures had yet to be implemented in full and this was not likely to be the case until February 2019. At the point of it being fully operational the Oversight Function would be given access to the data.

The Oversight Function asked the Administrator to confirm whether any questions had been asked by the authorising regulator and whether these had been answered to their satisfaction. The Administrator confirmed that there had both been questions asked and satisfactory answers provided to the regulatory authority.

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\*The full report was subsequently provided by email on December 28<sup>th</sup> 2018



## 6 AOB

The Oversight Function asked whether there was a further update on the production downtime that was experienced by the Administrator on December 5<sup>th</sup>, 2018 and further to this on asked whether there would be any material changes to the Administrators technology infrastructure in the near future

The Administrator confirmed it would send to the Oversight Function a full written report that would detail the incident, causes and remediation measures for its review.\* It also confirmed that there were no major changes to the Administrators technology infrastructure planned. Whilst there were a series of areas under development there were no cut-over dates planned for any systems until Q2 2019.

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\*The full report was subsequently provided by email on December 28<sup>th</sup> 2018