



CME CF Cryptocurrency Pricing Products

Oversight Committee Meeting Minutes (SUMMARY)

April 28th 2020

Contents

Attendees & Quorum.....	2
1 Conflicts of Interest	3
2 Standing Items	4
3 Volume Contribution of itBit to the CME CF Reference Rates and Continued Eligibility as a Constituent Exchange to Relevant Pairs.....	5
4 Addition of a further exchange as a Constituent Exchange to the CME CF Cryptocurrency Pricing Products	7
5 Changes to the implementation of the Potentially Erroneous Data Parameter for CME CF Real Time Indices	9
6 Update on the Administrators Benchmark Audit Process	10
6 A.O.B.....	11

Attendees & Quorum

Gavin Lee: **Chair**, CME

Dr. Timo Schlaefler (**TS**): Crypto Facilities

Payal Lakhani (**PL**): CME – joined at 1530

Max Boonen (**MB**): B2C2

Prof. Willian Kottenbelt (**WK**): Imperial College London

Michael Moro (**MM**): Genesis Global Trading

Andreas Antonopoulos (**AA**): Independent Expert

1 Conflicts of Interest

The Chair reminded the committee of their confidentiality obligations and asked members for any conflicts of interest they were subject to be raised. There were no conflicts raised and the meeting began at 1505

2 Standing Items

The committee discussed the both the monthly metrics and the surveillance alerts that it had been provided with since the previous meeting.

The committee agreed that the level of detail in the surveillance alert reports provided gave it a good view of the circumstances of each alert triggered. The committee asked for more details of the Administrators process and the degree of co-operation and responsiveness of constituent exchanges to its enquiries and was satisfied that the degree of co-operation and responsiveness shown allowed alerts to be investigated in a satisfactory manner and timeframe.

A committee member raised a point of a potential typo in one of the reports reviewed which the Administrator agreed to review. Subsequent to the meeting the Administrator provided the committee with a corrected version of the report along with the confirmation from the CF group Head of Compliance of the findings remaining unaltered.

3 Volume Contribution of itBit to the CME CF Reference Rates and Continued Eligibility as a Constituent Exchange to Relevant Pairs

The Administrator reminded the committee of the volume contribution requirement CME CF Constituent Exchange Criteria call for the committee to assess the continued inclusion of an exchange if its contribution falls below 3% for two consecutive calendar quarters.

Constituent exchange itBit to both the CME CF BRR and Ether Dollar Reference Rate had fallen below the 3% inclusion criteria for Q1 2020.

The Administrator further reminded the committee that the CME CF Constituent Exchange Criteria call for the committee to assess the continued inclusion of an exchange if its contribution falls below 3% for two consecutive calendar quarters. Whilst itBit had not yet breached this level the Administrator would like to draw this to the committee's attention as the volume contribution of itBit continues to be low.

Were itBit's volume contribution to be below 3% for Q2 the Administrator would inform the committee immediately. As it would like to occur outside of a scheduled meeting the Administrator would like to give the committee the opportunity to discuss the matter in a scheduled meeting.

The committee discussed:

- How the rule would be implemented in the case of removal and potentially re-inclusion, specifically whether an exchange once excluded would be required to meet the volume threshold for two consecutive quarters.
- Whether itBit had caused any operational issues that impacted the Administrators ability to calculate the benchmarks in accordance with the methodologies and in compliance with its regulatory obligations
- The manner in which the methodology worked and the additive nature of transaction data from any exchange and relatively low volumes from any exchange would not have a negative impact on the benchmarks

In light of the discussions the committee resolved that its view would likely be to retain itBit as constituent exchange if it did not fulfil the volume contribution criterion at the end the second quarter (June 30th 2020) but would make a formal decision once the data was provided by the Administrator

4 Addition of a further exchange as a Constituent Exchange to the CME CF Cryptocurrency Pricing Products

The Administrator reminded the committee that at the meeting of October 8th 2019, the Administrator proposed the inclusion of a candidate exchange as a constituent exchange. The committee expressed reservations of the potential impact of including the candidate exchange's transactions and orders to the transparency and replicability of the CME CF Cryptocurrency Products due to the transaction and orderbook data being:

- Available to users of the LMAX Digital platform or paid licensees only
- LMAX Digital accepting institutional clients only onto its platform

In light of these concerns the Administrator had shared this feedback with the candidate exchange and received a draft **Data Access Policy** that the candidate would published on its website upon its admission as a Constituent Exchange.

The committee discussed:

- The draft policy and its provisions which offered some comfort to ensure the replicability of the indices for index users, but the requirements for accessing data were onerous and cumbersome
- Its misgivings around the inclusion of a constituent exchange that did not make its market data available in the manner that the existing constituent exchanges do
- How it might consider the candidate exchange in question and other exchanges on this point in the future

The Committee resolved that the candidate exchange would not be added as a constituent exchange and would not be considered again until it made the required market data for the purposes of inclusion in the indices freely available through a public API endpoint.

5 Changes to the implementation of the Potentially Erroneous Data Parameter for CME CF Real Time Indices

The Administrator proposed to change the manner in which the **Potentially Erroneous Data Parameter** is implemented in for CME CF Real Time Index calculations and reminded the committee of its operation today. The potential drawbacks that this could have and scenarios where this could lead to undesirable and unrepresentative changes to the Real Time Index levels from one tick to another. The Administrator did not have analysis of this behaviour as experienced by the indices because these scenarios has never actually occurred. The Administrator proposes to amend the implementation of the Potentially Erroneous Data Parameter by continuing to exclude orderbooks that exhibit mids that are deviated by more than this parameter but once excluded an orderbook will only be re-included when its absolute deviation is less than 50% of the potentially erroneous data parameter to mitigate against these edge case scenarios.

The Administrator proposed language changes to the CME CF Real Time Index Methodology for the committee's review.

The committee discussed:

- How the scenarios described by the Administrator might play out and the impact to the indices under the two different implementations of the **Potentially Erroneous Data Parameter**
- Its desire to see concrete examples of how the revised implementation would have impacted the benchmarks in the past

The committee acknowledging that actual breaches of the **Potentially Erroneous Data Parameter** may not best illustrate this but simulation at lower levels for the parameter would suffice and would resolve on the proposal once this has been provided and reviewed.

6 Update on the Administrators Benchmark Audit Process

The Administrator provided an update of its process to appoint an auditor of its compliance to its regulatory obligations.

Since the last committee meeting the Administrator has issued an RFP to three audit firms for the conduct of an audit into the firm's compliance with the relevant provisions of EU BMR. Due to the Covid-19 situation it has taken longer than anticipated for all three firms to revert with proposals.

This delay is not anticipated to cause a delay to the Administrators timetable of having an audit conducted and a report available by late August 2020.

The committee expressed its thanks for the update looked forward to reviewing the report.

6 A.O.B.

The Chair asked for any further points of business and as there were none the meeting was adjourned at 1645 London Time.