



CME CF OVERSIGHT COMMITTEE

Meeting Minutes - Summary

3<sup>rd</sup> July 2018

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# 1 Attendees & Quorum

Gavin Lee: Chair, CME

Dr. Timo Schlaefer: Crypto Facilities

Payal Lakhani: CME

Max Boonen: B2C2

Prof. Willian Kottenbelt: Imperial College London

Michael Moro: Genesis Global Trading

Apologies for Absence: Andreas Antonopoulos

Two non-members of the Committee representing Crypto Facilities, the index administrator, attended the meeting under invitation from the Committee to present and observe.

The Chair confirmed a quorum and moved to ask for Conflicts of Interest from Committee Members.

The Meeting began at 1600 London Time.

## 2 Conflicts of Interest

One committee member voiced a potential conflict of interest. The member has been engaged to explore the potential of indices on baskets of cryptocurrencies by an Investment Consultant

The Chair recognised the declaration and moved that given the early stages of the engagement there was no material conflict unless other Members had any concerns. There were none voiced, and the meeting proceeded.

## 3 CME CF Indices Review

The Index Administrator presented analysis of the CME CF Cryptocurrency Pricing Products family including:

BRR and ETH\_RR\_USD

- Volume and Trade Flow contribution of Constituent Exchanges including the correlations of trade share to volume share that showed a strong relationship between the two and in line with expectations
- Underlying volume and trade analytics during the observation windows were sufficiently robust to ensure the integrity of the benchmark:

BRTI and ETH\_RTI\_USD:

- Order book analysis of the constituent exchanges measures all in line with trade share
- BRTI value and its distance from order book metrics showed strong consistency and was in line with benchmark integrity

There followed a discussion amongst members of:

- Developments amongst constituent exchanges
- How the constituent exchanges differ between the Bitcoin and Ether indices and the steps that the Index Administrator is taking to evaluate any exchanges potentially joining the Constituent Exchanges
- Liquidity in the Cryptocurrency markets and whether the observation window of 1500 to 1600 was the optimal time
- The Chair summarised that the Committee should have some firm evidence to consider when examining the question of the appropriateness of the observation window timing and asked the Index Administrator to provide the Committee with such analysis.

## 4 Indices Under Consideration for Launch – Administrator Analysis

The Index Administrator presented analysis of two indices representing cryptocurrencies that the Index Administrator has been calculating in BETA TEST utilising the same methodological steps as the CME CF Cryptocurrency Reference Rates.

Analysis included:

- Constituent Exchanges contributions in terms of trades and volumes and the correlation of these metrics
- Underlying volume and trade analytics during the observation windows and the individual partitions
- Specific metrics related to Data Sufficiency and underlying liquidity in the cryptocurrencies in question

There followed a discussion amongst Committee members of:

- Whether utilising a stable coin translation would improve underlying liquidity captured
- How a different time for the observation window might improve the underlying liquidity captured
- Whether a longer observation window for less liquid cryptocurrencies would be appropriate, overall aims of replicability and representativeness notwithstanding
- The committee concluded that utilising a stablecoin would not be advisable at this time given the translation effect it would bring into the indices
- The Chair summarised that the Committee should have some firm evidence to consider when examining the timing of and the duration of the observation window. The Index Administrator was asked to provide the Committee with such analysis.

## 5 Constituent Exchange Review

The Index Administrator presented analysis of the Constituent Exchanges against the published *CME CF Cryptocurrency Pricing Products Constituent Exchange Criteria*. The analysis showed that all four Constituent Exchanges continued to meet the requirements.,

The Index Administrator then presented analysis of the operational performance of the constituent exchanges against the required operational parameters.

The Index Administrator also gave a short update on discussions it had initiated with potential new Constituent Exchanges

The Index Administrator also asked the Committee to give its views as to whether consideration should be given to any republishing rules or policies with specific reference to market and investor impact.

There followed a discussion amongst Committee members of:

- How the operational performance of the Constituent Exchanges differed and how the Index Administrator addressed operational and technical issues
- How the methodology's explicit rules for dealing with delayed and missing data in section 5.1 of the published *CME CF Cryptocurrency Pricing Products Reference Rates Methodology Guide* operated in practice and its suitability.
- How index users would be impacted by any republishing policies and the adverse market conditions this could generate
- How the Index Administrator monitored developments in the spot exchange market to prioritise discussions for potential new Constituent Exchanges
- The Chair summarised that the Committee believed that no republishing policy was necessary due to the comprehensive provisions relating to erroneous and missing data contained in the Methodology. Furthermore the potential adverse market impact of republishing any of the CME CF Cryptocurrency Pricing Products was not trivial and consideration of this question would require substantial review by the committee
- The Chair asked that given the Administrator is looking at new constituent exchanges, the Administrator provide the committee analysis detailing how each new exchange under consideration measures against the Constituent Exchange Criteria.

## 6 CME CF Cryptocurrency Pricing Products Development & Regulatory Path

The Index Administrator presented to the Committee a brief overview of some of the reference rates and real time indices it hoped could be calculated in accordance with the published practice standards and methodological rigour of the CME CF Family within the next 12 months.

The Index Administrator also presented a timeline for regulatory and compliance processes that it has initiated

- These developments were welcomed by the Committee and it was confident this was the best path forward for the CME CF Cryptocurrency Pricing Products Family.



## 7 A.O.B.

A motion to nominate Sui Chung to the Oversight Committee as a full member was moved and seconded. There were no objections and Sui Chung will become a member of the Committee from the next Committee meeting in accordance with the *CME CF Cryptocurrency Pricing Products Oversight Committee Founding Charter*