



CF Cryptocurrency Index Family

Oversight Function Meeting Minutes

April 23rd 2020

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1 Attendees & Quorum

Ms Evelien Van Den Arend (Oversight Function)

Sui Chung (Administrator)

The meeting began at 0930 London Time

2 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.

3 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 Administrator also informed the Oversight Function of surveillance alerts that had been triggered and were being investigated.

The Oversight Function queried certain items from the metrics reports provided that were formatting errors.

4 Adoption of the EOS US Dollar (EOS-USD) Settlement Price and Spot Rate

The Administrator informed the Oversight Function of its intention to launch benchmarks to measure the price of EOS in USD into the CF Cryptocurrency Index Family. This would include a once a day Settlement Price and a one per second Spot Rate and the Administrator presented analysis and key metrics of its shadow calculations of these benchmarks in accordance with its **Governance & Oversight Framework**.

The Oversight Function sought confirmation and clarity around:

- The proposed methodology
- Parameter levels that would be used
- Constituent Exchanges and potential additions to these

The Administrator confirmed that:

- The methodologies would be those that are currently being used to calculate Settlement Prices and Spot Rates for other members of the CF Cryptocurrency Index Family.
- Due to the liquidity levels observed for EOS-USD trading in the input data the Administrator would utilise it would use the below parameters for the respective indices:

Settlement Price

Parameter	Level
Observation Window Timing	1430 to 1600 London Time
Observation Window Length	90 Minutes
Partition Length	10 Minutes
Partition Number	9
Dissemination Precisions	3 Decimal Places
Potentially Erroneous Data	25%

Spot Rate

Parameter	Level
Deviation from Mid	1.0%
Order Size Cap	Dynamic
Dissemination Precision	3 Decimal Places
Potentially Erroneous Data	25%

- There would be two exchanges utilised at launch – Coinbase and Kraken. The other Constituent Exchanges that are input data sources to the CF Cryptocurrency Index Family do not at present list EOS for trading against the U.S. Dollar. Should the other Constituent Exchanges list EOS for trading

against the U.S. Dollar the Administrator shall analyse their contribution to the indices and present this to the Oversight Function with its recommendation for inclusion or otherwise.

The Oversight Function resolved to undertake oversight of the CF EOS-U.S. Dollar Settlement Price and CF EOS-U.S. Dollar Spot Rate as members of the CF Cryptocurrency Index Family upon their launch by the Administrator.

5 Adoption of the Tezos-US Dollar (XTZ-USD) Settlement Price and Spot Rate

The Administrator informed the Oversight Function of its intention to launch benchmarks to measure the price of Tezos in USD into the CF Cryptocurrency Index Family. This would include a once a day Settlement Price and a one per second Spot Rate and the Administrator presented analysis and key metrics of its shadow calculations of these benchmarks in accordance with its Governance & Oversight Framework.

The Oversight Function sought confirmation and clarity around:

- The proposed methodology
- Parameter levels that would be used
- Constituent Exchanges and potential additions to these

The Administrator confirmed that:

- The Administrator confirmed that the methodologies used would be those that are currently being used to calculate Settlement Prices and Spot Rates for other members of the CF Cryptocurrency Index Family.
- Due to the liquidity levels observed for XTZ-USD trading in the input data the Administrator would utilise it would use the below parameters for the respective indices:

Settlement Price

Parameter	Level
Observation Window Timing	1430 to 1600 London Time
Observation Window Length	90 Minutes
Partition Length	10 Minutes
Partition Number	9
Potentially Erroneous Data	25%

Spot Rate

Parameter	Level
Deviation from Mid	1.0%
Order Size Cap	Dynamic
Dissemination Precision	4 Decimal Places
Potentially Erroneous Data	25%

- There would be two exchanges utilised at launch – Coinbase and Kraken. The other Constituent Exchanges that are input data sources to the CF Cryptocurrency Index Family do not at present list Tezos for trading against the U.S. Dollar. Should the other Constituent Exchanges list Tezos for

trading against the U.S. Dollar the Administrator shall analyse their contribution to the indices and present this to the Oversight Function with its recommendation for inclusion or otherwise.

The Oversight Function resolved to undertake oversight of the CF Tezos - U.S. Dollar Settlement Price and CF Tezos - U.S. Dollar Spot Rate as members of the CF Cryptocurrency Index Family upon their launch by the Administrator.

6 Adoption of the Stellar Lumens US Dollar (XLM-USD) Settlement Price and Spot Rate

The Administrator informed the Oversight Function of its intention to launch benchmarks to measure the price of Stellar Lumens in USD into the CF Cryptocurrency Index Family. This would include a once a day Settlement Price and a one per second Spot Rate and the Administrator presented analysis and key metrics of its shadow calculations of these benchmarks in accordance with its **Governance & Oversight Framework**.

The Oversight Function sought confirmation and clarity around:

- The proposed methodology
- Parameter levels that would be used
- Constituent Exchanges and potential additions to these

The Administrator confirmed that:

- The Administrator confirmed that the methodologies used would be those that are currently being used to calculate Settlement Prices and Spot Rates for other members of the CF Cryptocurrency Index Family.
- Due to the liquidity levels observed for XLM-USD trading in the input data the Administrator would utilise it would use the below parameters for the respective indices:

Settlement Price

Parameter	Level
Observation Window Timing	1430 to 1600 London Time
Observation Window Length	90 Minutes
Partition Length	10 Minutes
Partition Number	9
Potentially Erroneous Data	25%

Spot Rate

Parameter	Level
Deviation from Mid	1.0%
Order Size Cap	Dynamic
Dissemination Precision	5 Decimal Places
Potentially Erroneous Data	25%

- There would be two exchanges utilised at launch – Coinbase and Kraken. The other Constituent Exchanges that are input data sources to the CF Cryptocurrency Index Family do not at present list

Stellar Lumens for trading against the U.S. Dollar. Should the other Constituent Exchanges list Stellar Lumens for trading against the U.S. Dollar the Administrator shall analyse their contribution to the indices and present this to the Oversight Function with its recommendation for inclusion or otherwise.

The Oversight Function resolved to undertake oversight of the CF Stellar Lumens-U.S. Dollar Settlement Price and CF Stellar Lumens-U.S. Dollar Spot Rate as members of the CF Cryptocurrency Index Family upon their launch by the Administrator.

7 Adoption of the CF Multi Cryptocurrency Index Series Ground Rules and the CF Ultra Cap 5 Cryptocurrency Index Methodology

The Administrator informed the Oversight Function of its intention to launch a series of benchmarks to measure the price of portfolios of cryptocurrencies and presented ground rules that would govern the series. This series would be a member of the CF Cryptocurrency Index Family and the intended methodology for the first index in the series was also presented.

The Administrator described in some detail the mechanics of and thinking behind the below facets of the CF Multi Cryptocurrency Index Series Ground Rules:

- Eligibility of potential index constituents
- Pricing sources for index constituents
- Constituent weighting mechanisms
- Portfolio rebalancing
- Treatment of distributions
- Different Index Variants

The Administrator then went on to describe the manner in which the ground rules would interact with the index methodology and which parameters would be defined in individual index methodologies:

- Rebalancing frequency including determination and implementation dates
- Index inception dates and values

The Oversight Function and Administrator discussed:

- The potential applications for the index and how it would address market needs
- How the Administrator intended to publish the index and what meta data would also be provided
- What considerations had been made with regards to manipulation resistance and benchmark surveillance in the design of the Ground Rules and Methodology

Given that the proposed Ground Rules and Methodology cover a number of new areas and introduce concepts that the existing family of indices does not the Oversight Function would continue to review both the ground rules and methodology and relay any further questions it might have **to the Administrator**

The Oversight Function resolved that the Ground Rules and Methodology would be incorporated into CF Cryptocurrency Index Family under its oversight subject to no material questions remaining unresolved to the proposed launch date.

8 Changes to the implementation of the Potentially Erroneous Data Parameter for CF Spot Rates

The Administrator informed the Oversight Function of potential changes to the manner in which the **Potentially Erroneous Data Parameter** is implemented for CF Spot Rate calculations.

The Oversight Function and Administrator discussed the intentions behind the Potentially Erroneous Data Parameter and the manner in which it acted as a safeguard to the integrity of the indices.

The Administrator demonstrated examples of how the simplistic implementation of the Potentially Erroneous Data Parameter could potentially lead to un-intended consequences and mean that the index value could be subject to unnecessary volatility over short periods of time where exchanges are included, excluded and re-included intermittently.

The Administrator proposed a more sophisticated manner of implementation that would mitigate against these potential periods of unnecessary short time volatility.

The Oversight Function agreed that a revision to the simplistic implementation of the Potentially Erroneous Data Parameter would improve its overall effectiveness of the constitution of indices and more closely match its intentions. However the Oversight Function asked to see actual examples of how the path of index values would behave under the two implementations under the scenarios described.

The Administrator agreed to provide these for the Oversight Function to review.

9 A.O.B.

The Administrator briefed the Oversight Function of its progress towards completing an external audit of its operations and their compliance with EU BMR. Progress on this had been stymied by the ongoing COVID-19 but the Administrator believed it was still on track to complete the audit process within 12 months of its regulatory authorisation.

There being no further business the meeting was adjourned at 1100 London time.