



# CME CF Cryptocurrency Pricing Products

Oversight Committee Meeting Minutes

March 31<sup>st</sup> 2021

# Contents

1	Standing Items .....	2
2	Update on new licensing use cases of the CME CF Cryptocurrency Pricing Products.....	4
3	Change to the Administrators Republishing Policy and Potential Changes to CME CF Reference Rate Methodology.....	5
4	Regulatory Update.....	6
5	Update on Constituent Exchanges.....	7
6	A.O.B.....	8

# 1 Attendees & Conflicts of Interest

**Chair:** Gavin Lee

**PS:** Payal Shah

**MM:** Michael Moro

**TS:** Timo Shclaefer

**WK:** William Knottenbelt

**MB:** Max Boonen

**Administrator:** Sui Chung CEO, CF Benchmarks

**EVDA:** Evelien van den Arend, Head of Legal and Regulatory Affairs, CF group

A conflict was raised and the Administrator confirmed that it was comfortable with the proposed arrangements that the committee member was seeking to undertake and confirmed that the conflict had been added to the Administrators Conflicts Register

The meeting began at 1505 London Time.

## 2 Standing Items

There were no questions regarding the monthly metrics or surveillance reports since the last meeting and the Chair moved onto the next item.

## 2 Update on new licensing use cases of the CME CF Cryptocurrency Pricing Products

The Administrator informed the committee of developments in the use and application of the CME CF Cryptocurrency Pricing Products. Since the previous meeting the CME CF BRR has been licensed by Evolve ETFs of Canada for use as both the NAV striking and share creation/ redemption mechanism for its Bitcoin ETF (TSX: EBIT) – its launch on January 25<sup>th</sup> made it the world’s second Bitcoin ETF. Since then licensee QR Asset had received regulatory from CVM approval for a Bitcoin ETF to be listed on B3 in Brazil.

The committee acknowledged that although commercial licensing matters were not within the purview of the committee’s responsibilities understanding the use cases and hence market impact of the indices is very helpful to the committee in discharging its responsibilities.

There was a discussion on the value of assets that reference the indices, under the BMR definitions and whether any further provisions of BMR may be triggered and the Administrator agreed that it would provide this data to the committee on a regular basis going forward

### 3 Change to the Administrators Republishing Policy and Potential Changes to CME CF Reference Rate Methodology

The Administrators summarised its Restatements and Republishing Policy and in light of the developments regarding the use of the benchmarks proposed changes to it. Subsequent to this, the Administrator proposed changes to the methodology for the CME CF Cryptocurrency Reference Rates which it explained in detail. The Administrator also presented a draft timetable and communications for a consultation on these changes in accordance with its policies and UK BMR regulations to which it is subject.

The committee discussed the manner in which the methodology changes would work and gave particular scrutiny to the degree of consistency in the provisions for:

- **Market Failure**
- **Delayed Calculation & Publication**
- **Restatement & Republishing**

The committee suggested that the Administrator consider thresholds for triggering restatements and republishing be percentage based as opposed to absolute USD value based which were duly noted.

The committee concluded that the proposed changes as drafted could lead to some confusion amongst index users as to what the Administrators actions would be under certain scenarios and concluded that it required further details on the impact that the proposed changes would have under certain scenarios.

The Administrator agreed to provide these materials so that the committee may more fully consider the proposals.

The committee resolved that it had provided oversight to the changes to the CF Benchmarks Restatement and Republishing Policy

The committee further resolved that pending its approval of the further draft methodology changes that would be provided by the Administrator it would provide oversight of the consultation process in accordance with its Founding Charter.

***Subsequent to the meeting the Administrator provided a revised methodology and an explanatory document to the committee. Committee members confirmed by email that the revisions gave clarity and the proposed consultation timetable would give index users the appropriate opportunity to provide their comments.***

## 4 Regulatory Update

The Administrator briefed the committee that it was providing its benchmarks within the EU as a “third country” Administrator and that this regime was temporary and would expire. The UK had granted the EU Benchmarks Regime equivalence but there had not been confirmation of a reciprocal arrangement from the EU regarding the UK Benchmarks Regime.

The UK government and the European Commission were continuing to negotiate a potential regulatory equivalence arrangement for financial services, but transparency of progress has been limited.

The Administrator confirmed that should there be no clear progress on an equivalence regime and whether Benchmarks shall be in scope of the arrangement the Administrator shall seek to establish a presence within the Union to ensure there is not disruption for existing and potential licensees to the firm’s benchmarks, including those of the CME CF Cryptocurrency Pricing Products.

## 5 Update on Constituent Exchanges

The Administrator reminded the committee that it had previously reviewed the potential inclusion of a new Constituent Exchange but concerns about the public availability of its transaction and orderbook data had meant they were not considered to be in conformance with the CME CF Constituent Exchange Criteria.

Since then the exchange in question has developed a public API that will publish both transaction and orderbook data and the Administrator will begin testing this soon.

Pending successful testing it will table a review of the exchange's conformance to the CME CF Constituent Exchange Criteria at the appropriate meeting.

The committee discussed its views on the exchange and its presence in the market. No concerns were voiced and it looked forward to reviewing the exchange's conformance at the appropriate time.



## 6 A.O.B.

There being no further business the meeting was adjourned at 1713 London time.,