



# CME CF Cryptocurrency Pricing Products

CME CF Oversight Committee Meeting Minutes - Summary

October 8<sup>th</sup> 2019

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# 1 Attendees and Quorum

Gavin Lee: **Chair**, CME

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

Payal Lakhani (**PL**): CME

Max Boonen (**MB**): B2C2

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

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

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

The Meeting began at 1405 London Time

## 2 Conflicts of Interest

Chair: Do any committee members have conflicts of interest they would like to raise?

There were no conflicts raised and the meeting began

## 3 Standing Items

There were no questions raised from the monthly metrics reports and benchmark surveillance alerts that had been provided to the committee since the last committee meeting.

The committee discussed how the Administrator intended to provide the committee with relevant parameter levels when these are dynamic.

The discussion moved forward

## 4 Confirmation of Administrators

### Regulatory Status

The Administrator confirmed to the committee that as of August 19<sup>th</sup> it had been authorised and regulated by the UK FCA. On August 21<sup>st</sup> CF Benchmarks Ltd had been included in the ESMA Register of Benchmark Administrators.

The committee asked the Administrator to give an overview of the authorisation process and specifically asked what impact this had on the status and operations of the Committee, if any. The Administrator described the functions and responsibilities of the Committee against the provisions of **Article 5 – Oversight Function Requirements** of **EU BMR** and no changes to the operation of the committee were required. The obligations of committee members remained those described in the CME CF Oversight Committee Founding Charter.

The Administrator went on to explain how this situation could potentially change if any of the CME CF Cryptocurrency Pricing Products were to be classified as “Significant” or “Critical” under EU BMR, from their current designation of “Non-Significant”.

The Chair thanked the Administrator for the explanation and moved the discussion to the next item.

## 5 Clarification of CME CF Constituent Exchange Criteria

The Administrator reminded the committee of the ***CME CF Constituent Exchange Criteria***. As worded the criteria leave slight ambiguity as to which are entry criteria and which criteria continuously apply to constituent exchanges and proposed amendments to the wording.

The committee discussed how the criteria were codified today and agreed that the criteria for volume contribution needed to be further clarified, including what may trigger the removal of a constituent exchange.

The committee resolved that the Administrators proposal to clarify ongoing requirements of exchanges be adopted. The committee further resolved that where an existing constituent exchange fails to meet the 3% volume contribution for the Reference Rate of the Relevant Pair for two consecutive quarters (a mirror of the inclusion rule) that continued inclusion of the constituent exchange would be assessed by the committee.

The committee asked the Administrator to make the necessary changes and update the published document without undue delay.

The Chair moved the discussion forward.

## 6 Addition of Coinbase to CME CF ETHUSD\_RR and CME CF ETHUSD\_RTI

The Administrator proposed adding Coinbase as a constituent exchange to the CME CF Ether-Dollar Reference Rate and the CME CF Ether-Dollar Real Time Index and provided an analysis of the contribution that Coinbase would have made to the CME CF ETHUSD\_RR for the previous two calendar quarters in accordance with Eligibility Criterion 2 of the CME CF Constituent Exchange Criteria.

The committee discussed the various metrics and analyses provided by the Administrator including the volume contribution and impact that the addition of Coinbase would have made.

The Committee resolved that Coinbase met the contribution criteria and that it could be included as a constituent exchange to the proposed indices on the timetable that the Administrator proposed.

The Chair moved the discussion forward



## 7 Addition of a Further Exchange to the CME CF Cryptocurrency Pricing Products

The Administrator proposed adding a further constituent exchange to the CME CF Cryptocurrency Pricing Products. An analysis of the exchange's conformance with the CME CF Constituent Exchange Criteria was provided. This included the contribution exchange would have made to the Reference Rates for the previous two calendar quarters in accordance with Eligibility Criterion 2 of the CMF CF Constituent Exchange Criteria as well as an analysis of the Exchange's conformance to the other criteria.

The committee reviewed the analysis and raised concerns about the accessibility of the market data of the exchange. Although the exchange made its market data publicly available this was restricted to authenticated clients only and the exchange was at this point available to Corporate and Institutional users only.

The committee discussed the implications of including the exchange's market data as a constituent exchange and the impact this would have on the ability of the market at large to validate the indices independently for full transparency.

The committee resolved that without further clarity on how market participants, both individual and institutions, could freely access the market data of the exchange then it would not be appropriate to include the exchange as a constituent exchange at this time.

The chair moved the discussion forward

## 8 Dynamic Order Size Cap Parameter for Real Time Indices

The Administrator reminded the committee of the previous discussions of applying a dynamic order size cap to the real time indices instead of the static caps that are in place today. After conducting further analysis and specifically the potential use of a median as opposed to mean in the fourth step of the proposed methodology.

The committee discussed a number of facets of the analysis that was provided including:

- Appropriateness of using the mean vs the median in step 4
- The materiality of the impact this change would have had on the relevant indices
- Whether this change required a consultation according to the Administrators policies and the regulatory requirements of EU BMR

The committee resolved that the proposed order size cap be implemented to promote the integrity of the Real Time Indices on the timetable proposed by the Administrator.

## 9 AOB

The Chair asked whether there was any other business to be raised.

A committee member asked the Administrator whether there were plans to update the review of the constituent exchanges conformance to the constituent exchange criteria that was conducted in late 2018 by the Administrator.

The Administrator and the committee agreed that the review would indeed be conducted, and the results presented to the committee before the end of the year.

A committee member raised the question of the impact that a disorderly Brexit would have on the indices, specifically the regulatory impact that this might have including the application of the indices, specifically by entities within the EU.

The Administrator confirmed that should the UK leave the EU with no transition arrangement in place (no deal) then CF Benchmarks would become an Administrator under the Third Country Regime. Due to an extension of the third country regime until December 31<sup>st</sup>, 2021 this would mean that the CME CF Cryptocurrency Pricing Products can continue to be offered as Benchmarks to supervised entities within the Union. Longer term the Administrator would review the options available to it and most likely would seek BMR authorisation from within the Union.

There being no further business and the meeting was adjourned at 1520 London Time,