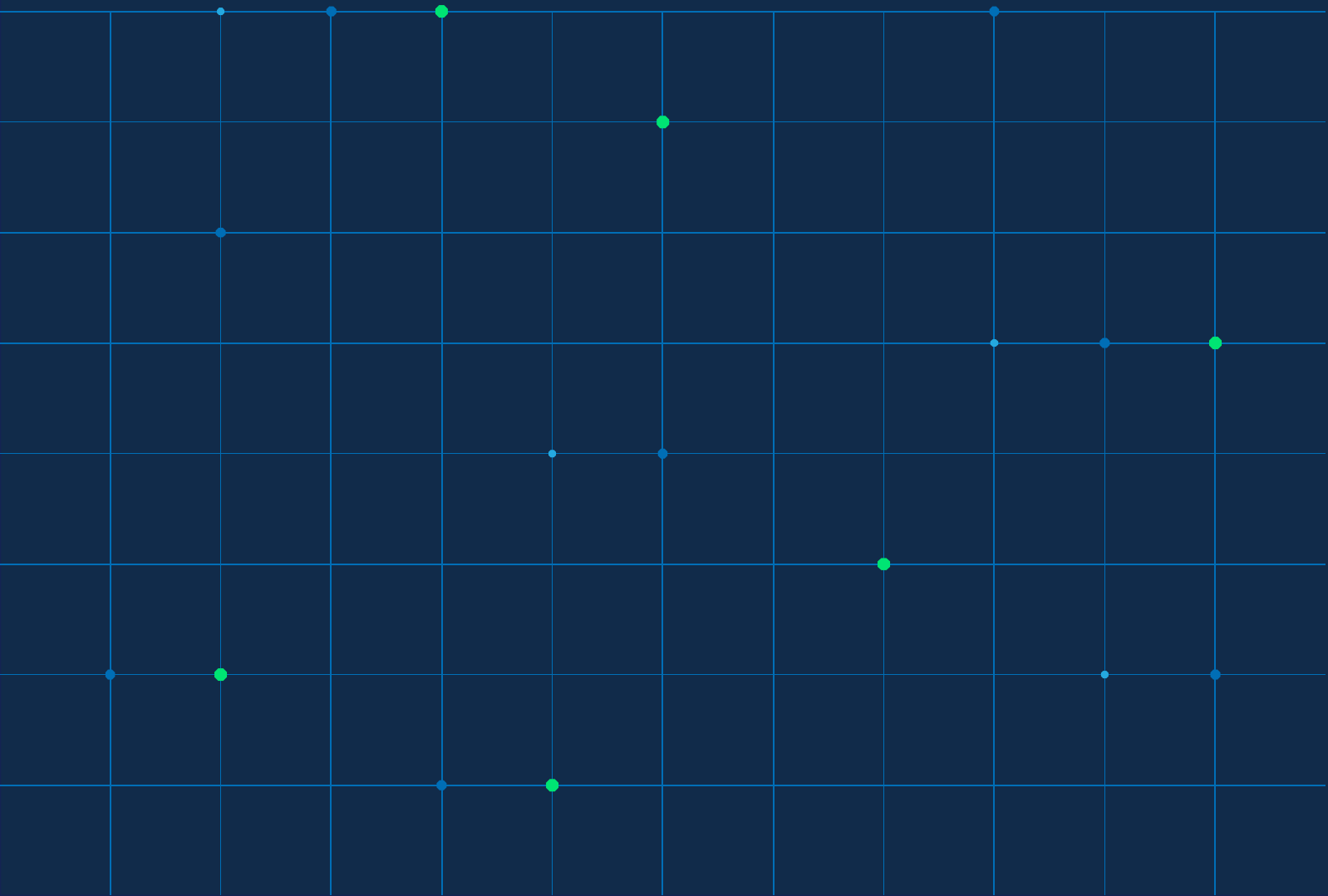


CME Petroleum Index

Oversight Committee Minutes – Microsoft Teams

CME Group Benchmark Administration Limited

January 20th, 2022



Attendees

Owain Johnson (OJ) - Chair
Paul Wightman (PW) – voting member
Nicolas Dupuis (ND) – voting member
Vincenzo Albano (VA) – non-voting member
Graham Stride (GS) – non-voting member
Jackson Griffith (JG) – observer
Mike Robb (MR) - observer
Tao van der Graaff (TvdG) - observer
Joe Dervish (JD) - observer

Agenda

- Introduction to the CME Petroleum Index Oversight Committee (OJ)
- Disclosure of any actual or perceived Conflict of Interest (OJ)
- Approval of previous Oversight Committee minutes (OJ)
- Oil Market Update (PW)
- Administrator’s Management Information report (VA, GS, JG)
 - Items to report
 - Discussion and approval of the Petroleum Index Methodology v1.5
 - Licensing Policy and Product Distribution
- Legal & Compliance update (JD, TvdG)
- Item for discussion at the next Oversight Committee (OJ)

Minutes

The Chair stated that the meeting was quorate and could commence. The Chair asked participants to share any potential or perceived conflict of interest, not already stated. None were declared.

The Chair read the introductory disclaimer reminding participants their duties as member of the OC. Then he asked whether there were objections or comments on the previous meeting minutes. None were mentioned and the minutes were unanimously approved.

The Chair invited a member from CME R&D to provide an update on the Oil Market. The member commented the slides already shared among OC members.

A member asked whether there was a correlation between WTI and Carbon trends.

The presenter stated that no analysis had been undertaken. The Chair added that energy market has inelastic demand so unlikely to be much correlation.

An update from the Benchmark Administrator was provided. A brief update was given on key events affecting the Petroleum Index, trends of the Index and of its constituents. Particular attention was given to volumes and open interest of the future contracts, demonstrating robust data sufficiency.

The Administrator introduced the weighting analysis performed as per methodology on the open interest of the 3 future contracts. The analysis demonstrated an increased weight of the WTI, up more than 3% from the last analysis at the end of 2020. Standing the current methodology, a re-balancing of the index is necessary and it was noted by the OC.

A member enquired whether the change of weights would have an impact on price index and ensure that users can incorporate that in their activity. He also shared concerns about holidays in Japan could impede client's adoption.

The Administrator replied that the re-balancing process is clearly stated in the methodology and users should be aware and ready to act. The proposed implementation date of April 1st is also stated in the methodology and cannot be adapted to suit regional holidays.

An observer asked how the change will be communicated to users. The Administrator replied that a Globex Notice will be issued.

The Chair asked whether the Administrator can provide a simulation to assess whether a shift in weights would have noticeably affected the value of the Index. The Administrator committed to provide such analysis to be circulated by email.

The Administrator reported on errors recorded since the previous OC.

The Chair asked whether the errors were related to the previously adopted Marker Index.

The Administrator replied that only the 23rd July error was related to the Marker Index.

The Chair asked whether errors with the external vendor (calculation agent) were recurrent.

An observer (operations) added that, albeit not too frequently, GCC are seeking to improve the operational robustness of benchmarks calculated by external vendors.

An observer from the Benchmark Administrator, asked how JPX/OSE receive Petroleum Index values.

The Administrator replied that that JPX/OSE can access values on DataMine and MDP in the near future. The website is the preferred access for the general public.

The Administrator moved to present the proposed Validation Checks. Various scenarios, including the high volatility of March-June 2020, were presented. The Administrator recommendation is to adopt a standard deviation of 2.33 of the Δ over the 30-day average, as it has proved to be the most reliable.

The Chair supported the proposal and asked for OC approval, which was unanimously given, including some minor grammatical changes to the Methodology document.

The Administrator updated on progress in Licensing and Publication of the Index. It was confirmed that the Petroleum Index is available on DataMine, the CBA website and MDP. Talks are underway with Bloomberg and Refinitiv to provide the Index more visibility to users, with those vendors now connecting to MDP to access the Index.

The Chair moved to ask for a Compliance and legal update; Legal and Compliance confirmed that there were no notable updates to share.

The Chair asked participants whether there were items to discuss at the next OC; none were mentioned.

The Administrator reminded the OC that appointments are approaching their 2 years term and renewal letters will be circulated in due course.

