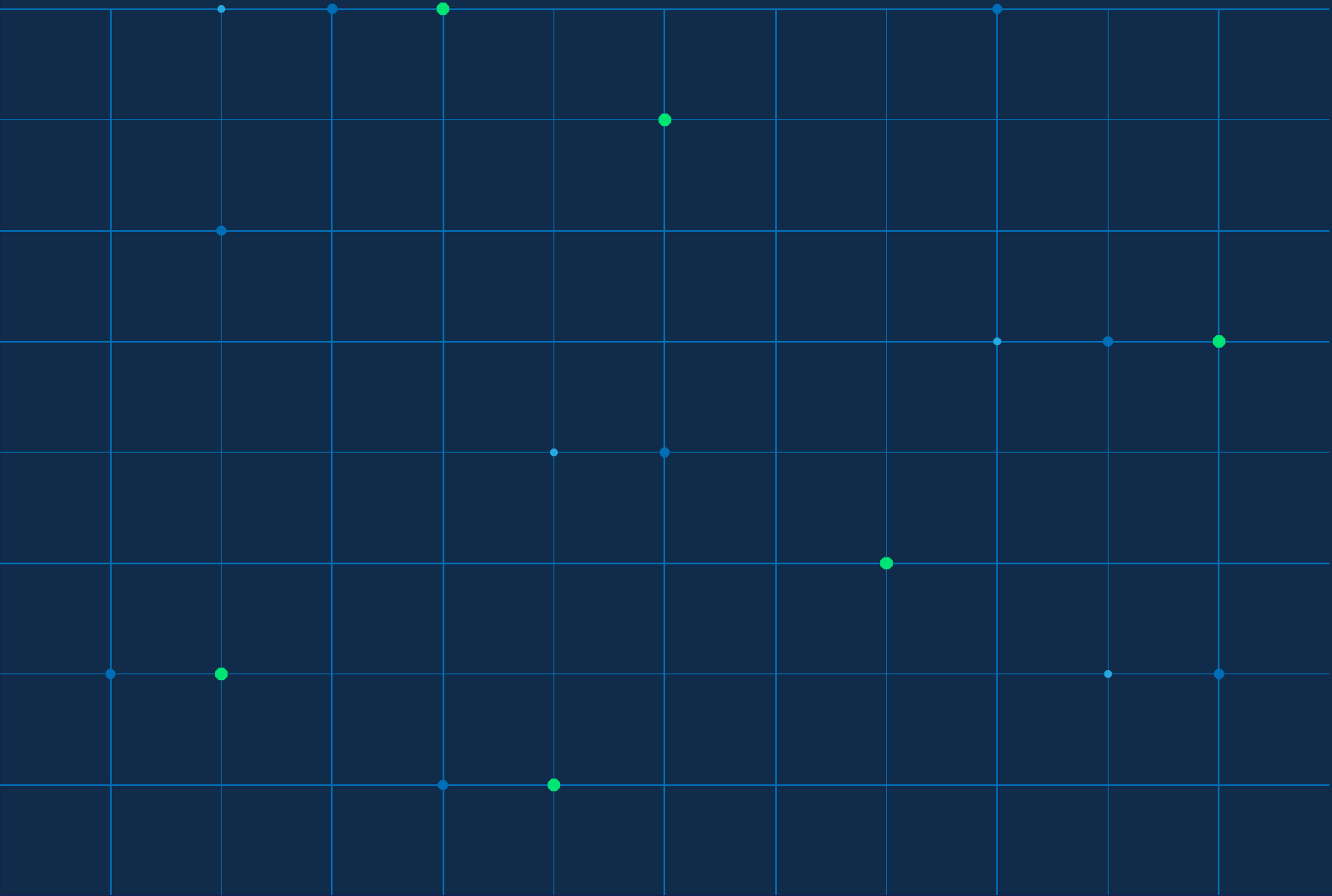


CME Volatility Index (CVOLtm) Benchmarks

Oversight Committee Minutes

CME Group Benchmark Administration Limited

April 30th, 2021



Attendees:

Carrick Pierce (Chairman)
John Wiesner
David Reif
Craig Laveille
Jeff White

Apologies:

Vincenzo Albano

Observers:

Tao Van De Graaf
Gavin Lee
Jackson Griffith

Agenda

- 1 Introduction to the Oversight Committee
- 2 Disclosure of any actual or perceived Conflict of Interest
- 3 Approval of previous Oversight Committee minutes
- 4 Benchmark Administrator management information
- 5 CVOL Incident Reports
- 6 CVOL Methodology update for approval
- 7 CVOL Indices Inventory and presentation of new indices
- 8 CVOL new Indices and Tenor Allocation for approval
- 9 Legal & Compliance Updates
- 10 Items for next Oversight Committee

The meeting was called to order and the Chair went through the opening statements and introduction. No conflicts of interest were registered. The minutes from the previous meeting were approved unanimously by the committee.

The Benchmark Administrator took the committee through the statistics and performance of the CVOL indices since the last OC meeting.

The Incidents were highlighted by the Administrator and one member commented that the process is complex with multiple parties and files and connections required throughout the process. Given the complexities this is a good sign that we have had so few issues. The Administrator said that in all cases we identify any issues that arise even if they can be resolved prior to publication deadlines. This is to ensure we can put in place remedial controls to prevent a recurrence. There were no further comments from the committee.

The Administrator explained that there are a number of changes required to the methodology as have been provided in the documents and we will look to approve the changes to the methodology once all of the necessary approvals for individual items have been received.

Approval of New Indices – the Administrator listed each new index by asset class and broad-based index and asked the committee for approval to include the new indices into the benchmark family. Once approved, the Administrator would look to launch the new CVOL Indices in May. The committee unanimously approved.

The Administrator explained that as a result of the introduction of these new CVOL Indices, additional tenor selections were required. Given the increased tenor sections, there is an element of discretion in the allocation of each index to a tenor selection. Therefore, the Administrator has introduced additional controls for the allocation of an index to a tenor selection. In each instance a recommendation will be made to the OC with a rationale as to why it is appropriate for the index to use the particular tenor selection. Once each index is approved to use the recommended tenor selection, that will be fixed going forward. To change a tenor selection the index will need to go through a new recommendation and approval process. The committee unanimously approved the tenor selections for the new indices.

The Administrator explained that as per the provided documentation, in some circumstances the futures price and the price implied by the options will break the put-call parity. Whilst this was introduced for certain CVOL indexes in the last tranche, it is believed using a synthetic futures price if the futures price falls outside a threshold improved the robustness of the process.

The Chair went on to further explain the circumstances where this may be beneficial. A member asked if a customer would no longer be able to replicate the index as they would not know when a synthetic futures price would be used. The Administrator explained that there is a rule-based approach. The futures price would be used in the first instance. If the futures price was outside a threshold then the synthetic calculation would be applied and used. A customer could apply these rule-based calculations. The synthetic futures were unanimously approved by the committee.

The Administrator explained that the CVOL Indices would be registered under UK BMR and as such a BMR statement was required. This was included in the documentation along with a new IOSCO Statement. These documents whilst not requiring approval are there for noting and would be made available to on the CBA website.

A legal update was provided explaining that due to the use of external service providers by the calculation agent, the SLA's were being reviewed to ensure they provided the necessary clauses and remedies. These service providers were already under contract with CME and therefore this was a tightening of the existing agreements.

The Legal representative also explained that the IOSCO Statement, BMR Statement and Methodology had passed the usual legal review.

The Chair made his closing remarks and drew the meeting to a close.

