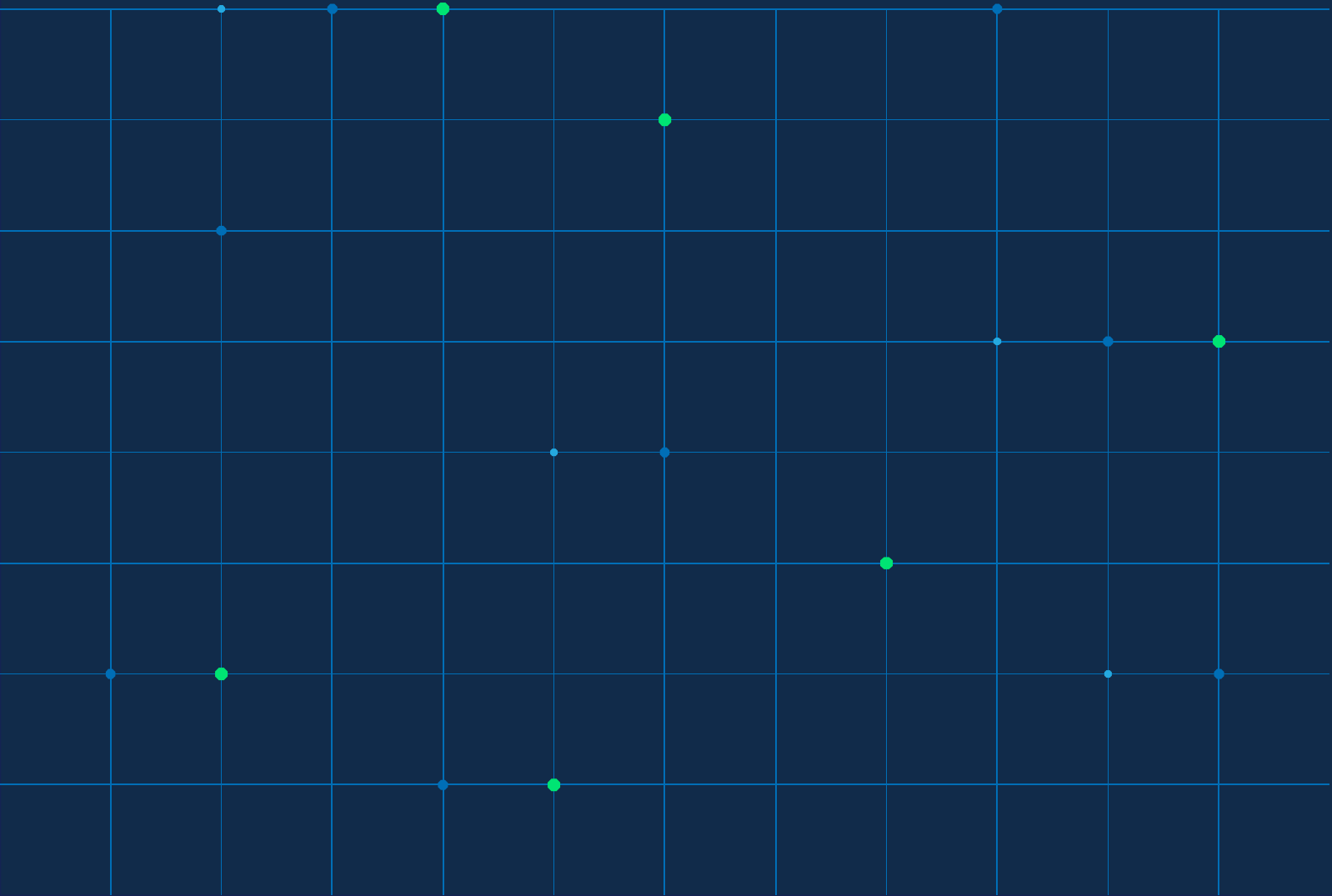


# CME Petroleum Index 2022 index annual re-balancing

CME Group Benchmark Administration Limited

March 1<sup>st</sup>, 2022



## • Introduction

CME Group Petroleum Index is a benchmark administered by CME Group Benchmark Administration Limited (“CBA” or “the Administrator”) and is intended to provide a single value for a basket of underlying energy futures.

### 1.1. Input data

The Index reflects a weighted basket of three (3) exchange traded energy futures contracts. These components are:

- NYMEX WTI Crude Oil futures (CME Group Commodity code CL)<sup>1</sup>
- NYMEX RBOB Gasoline futures (CME Group Commodity code RB)<sup>2</sup>
- NYMEX NY Harbor ULSD futures (CME Group Commodity code HO)<sup>3</sup>.

### 1.2. Weighting of Input Data

The percentage weight of each futures contract within the Index is based on the respective average open interest volumes for the last quarter of the calendar year, from October 1st to December 31st inclusive.

The Administrator reviews the weights of each component at the end of the calendar year and makes a recommendation to the Oversight Committee. If weightings have changed by more than 3% (three percent) versus the previous year, the weights must be adjusted accordingly. Changes to the weights are advised to stakeholders and applied on the first day of the second quarter of the following year.

At launch, on 3<sup>rd</sup> August 2020, based on Open Interest for the last quarter of 2019, weights were set as follows:

NYMEX WTI Crude Oil	72%
NYMEX RBOB Gasoline	13%
NYMEX NY Harbor ULSD	15%

The Administrator performed its first review in January 2021, based on open interest recorded in the last quarter of 2020. The changes of open interest were within the 3% threshold, hence the recommendation to the Oversight Committee was to leave the weights unchanged.

The following review took place in January 2022, based on 2021 last quarter open interest.

The review revealed a shift of weights larger than the 3% threshold, compelling the Administrator and the Oversight Committee to reflect those shifts in the index calculation.

<sup>1</sup> [https://www.cmegroup.com/trading/energy/crude-oil/light-sweet-crude\\_contractSpecs\\_futures.html](https://www.cmegroup.com/trading/energy/crude-oil/light-sweet-crude_contractSpecs_futures.html)

<sup>2</sup> <https://www.cmegroup.com/trading/energy/refined-products/rbob-gasoline.html>

<sup>3</sup> <https://www.cmegroup.com/trading/energy/refined-products/heating-oil.html>

As a result, the index components must be re-balanced as follows, effective 1st April 2022:

	3 <sup>rd</sup> Aug 2020-31 <sup>st</sup> March 2022	From 1 <sup>st</sup> April 2022
NYMEX WTI Crude Oil	72%	75%
NYMEX RBOB Gasoline	13%	11%
NYMEX NY Harbor ULSD	15%	14%

### 1.3. Implementation of reviewed weights

Changes of the weighting have no retrospective impact; historical index values remain unchanged and continue to be calculated based on the current index weights until the 31<sup>st</sup> March 2022.

The new weights are applied as of 1<sup>st</sup> April 2022 calculation day and will remain unchanged pending further review, due in January 2023.

The base value of the index ( $WAP^0$ ) also remains unchanged. The index starting value, as calculated on launch date, 3<sup>rd</sup> August 2020, is 100, and it was based on a Weighted Average Price (WAP) calculated on the day, of 43.968396.

Hence, the daily value of the Index is still calculated as per the following formula:

$$CPI^t = \frac{WAP^t}{WAP^0} * 100$$

where

- CPI<sup>t</sup> = CME Group Petroleum Index settlement at date t
- WAP<sup>t</sup> = Weighted Average Price at date t
- WAP<sup>0</sup> = Weighted Average Price at rebase date (43.968396, as stated above)

### 1.4. Next annual review

The next review of the CME Petroleum weights is scheduled to take place in early January 2023, based on the daily average open interest of the three future contracts, reported in the last quarter of 2022 (3<sup>rd</sup> October – 30<sup>th</sup> December 2022).

If any single future contract has changed by more than 3% over the previous year, the Administrator will recommend the Oversight Committee the review of the weights.

However, the Administrator might still recommend changing weights even if the 3% threshold has not been reached, if the market conditions suggest doing so. In that event, the Oversight Committee is required to approve the recommendation.

Formal announcement of weights changes is published to stakeholders ahead of implementation (3<sup>rd</sup> April 2023).

