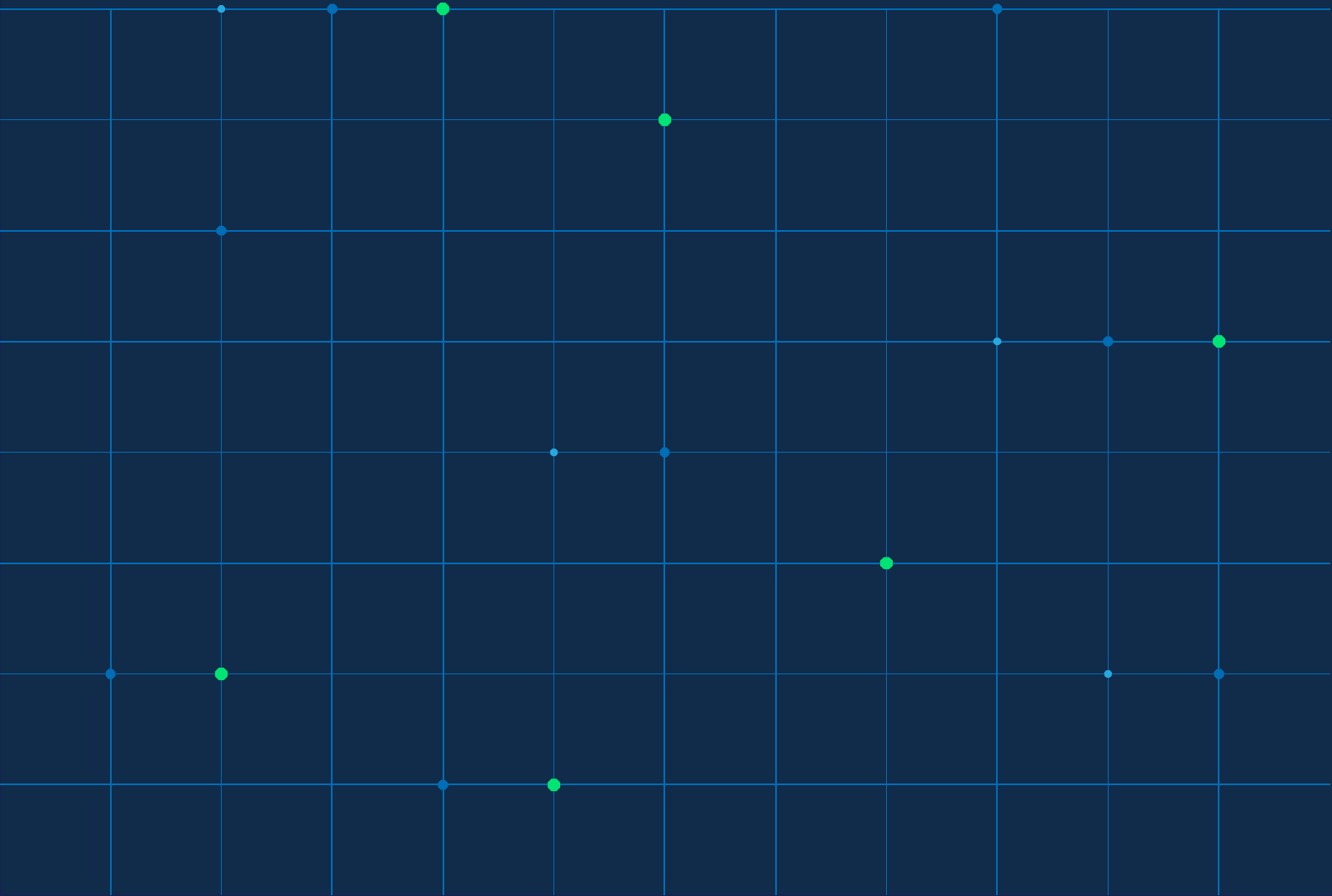


CME Group Overnight Repo-Backed Benchmarks

Oversight Committee Webex meeting minutes

CME Group Benchmark Administration Limited

December 16, 2020



Attendees:

Voting Committee Members:

- John Edwards – Chair
- Oliver Clark
- Kiyomi Saito
- Alex McDonald

Non-Voting Committee Members:

- Vincenzo Albano

Observers:

- Tao Van De Graaff
- Michelle Hallett
- Gavin Lee
- Graham Stride

Agenda

- Introduction to the Oversight Committee
- Appointment of new members of the Oversight Committee
- Disclosure of any actual or perceived Conflict of Interest
- Approval of previous Oversight Committee minutes
- Administrator's report:
 - RFR Euro Benchmarks
 - RFR Sterling
 - JBOND
- Overview of the proposed CME Overnight Repo Backed Benchmark Family
- Discussion and approval of the CME Overnight Repo Backed Benchmark Methodology v1
- Review of the CME Overnight Repo Backed Benchmark BMR Statement v1
- Compliance and Legal update to the Oversight Committee
- Schedule for next Oversight Committee

Minutes:

Introduction to the Oversight Committee

The Chair of the Committee was appointed unanimously. The Chair opened the meeting reminding the Members of Oversight Committee their duties and responsibilities to act independently and in the best interest of the benchmark.

New members to the OC were appointed and some previous members were confirmed. No conflict of interest was reported by OC members. Previous meeting minutes were approved by all voting members.

The Chair asked the Benchmark Administrator to present their report. The Administrator commented on a number of charts produced for the attention of the Oversight Committee:

- Charts comparing RFR Euro to €STR, JBOND to TONAR and RFR Sterling to SONIA.
- Charts plotting the 10 individual Euro countries rates over the period.
- A chart showing the average daily volumes for each month in the period for each of the Euro countries in a stacked bar chart.
- Charts showing the average daily volumes for JBOND and RFR Sterling for each month over the period.
- A table with the average daily volumes for each RFR benchmark by month over the period.

The Administrator stated that based on the currently volumes and performance of the benchmark, CBA considers it to be representative of the underlying repo market.

Overview of the proposed CME Overnight Repo Backed Benchmark Family

The Administrator proposed the creation of a benchmark family, encompassing the Euro RFR, the 10 individual euro countries, RFR Sterling and JBOND. It was noted that there was minimal difference between countries with a homogenous calculation methodology.

The Administrator stated that the creation of a benchmark family is in line with the Benchmark Regulation and would strengthen the benchmarks by having a single Oversight Committee, methodology and benchmark statement.

The Chair asked the committee to approve the creation of the benchmark family, bringing all benchmarks into the family. The committee agreed to the proposal.

Discussion and approval of the CME Overnight Repo Backed Benchmark Methodology and Review of the CME Overnight Repo Backed Benchmark BMR Statement

The Administrator noted the changes to the benchmark statement and methodology, including:

- Creation of the Benchmark Family: RFR Euro, RFR Sterling and JBond RIR
- Updated definition of contributing Trading Venues
- Detailed section on input data and calculation methodology
- Addition of RFR Ireland
- Extended Governance section and in particular:
 - Updated Methodology fully reflected in the BMR statement.
 - Methodology and BMR Statement have been reviewed by Legal and Compliance.

It was noted that the changes were mainly in the formatting and clarification of CBA governance. The overall calculation methodology has not changed.

It was also confirmed that the RFR JBOND methodology is the same, only a slight difference as JBOND uses mainly Tom/Next trades.

It was asked whether there was any change to the fallback procedures in the methodology and the Administrator noted that the approach was unchanged. The benchmark is calculated with just one qualifying trade. If there are no trades, then no rate will be published.

It was noted that MTS was being sold by LSEG to Euronext and that trade data should be monitored to ensure that transactions continued to flow into the calculation.

The Chair asked the committee to approve the methodology. All members approved.

Compliance and Legal update to the Oversight Committee

Compliance noted that the Senior Managers Regime (SMR) came in for Benchmark Administrators on the 7th December. It was asked whether there was anything that the Committee Members needed to be aware of in relation to SMR. Compliance noted that Committee members were not explicitly covered by SMR.

Compliance noted that a review has been conducted in light of Brexit. There was a question over EU BrokerTec data, however the FCA has recognised the BrokerTec entity as equivalent and therefore the benchmark family can remain a regulated data benchmark.

It was asked about the extension of the transitional provisions to 2023 with the possibility for a further two year extension. Compliance noted that the EU have extended the ability for third country benchmarks to be used in the EU until 2023.

Legal noted that they had been in discussions with a third party over the use of the RFR trademark as well as formalising documentation around countries covered by the benchmark family.

Schedule for the next OC

It was noted that the next Oversight Committee was indicatively scheduled for March 2021. The administrator stated that further testing of the robustness of the benchmark and rigorous testing is underway and findings will be discussed at the next Oversight Committee.

