

CME Petroleum Index Oversight Committee
09 December 2020 09:30 GMT; 10:30 EST – Microsoft Teams meeting

Agenda:

- Introduction to the CME Petroleum Index 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:
 - CME Petroleum Index vs constituents
 - NYMEX Futures Open Interest analysis since launch
- Discussion and approval of the Petroleum Index Methodology v1.2
- AOB

Minutes:

Introduction to the CME Petroleum Index Oversight Committee

The Chair reminded participants that the goal of the Oversight Committee is to review the integrity of the Petroleum Index administered by CME Group Benchmark Administration Limited, by providing independent oversight and challenge to the Administrator on all aspects of the benchmark determination process.

The Chair noted that there is a quorum present and the meeting can commence.

The Chair asked if members of the OC have any conflict of interest; none were declared.

The Chair noted that members attending this committee have acknowledged the importance of integrity, accuracy and impartiality in the determination of benchmarks.

The Chair reminded that members do not represent the interests of their employer but they act in an independent manner.

Appointment of new members of the Oversight Committee

The Chair proposed two new members to the OC, one as a voting member and one as a non-voting member, both unanimously approved.

It was noted that one of the OC members is stepping down due to regulatory requirements.

Approval of previous Oversight Committee minutes

The Chair asked the committee to approve the previous meeting minutes, unanimously approved by the committee.

Administrator's report & Discussion and approval of the Petroleum Index Methodology

The Administrator report was presented;

- The description of the Petroleum Index and of the feathering process during roll periods.

- The three index components (NYMEX WTI Crude Oil; NYMEX RBOB Gasoline; NYMEX Heating Oil) are weighted according to their open interest. The current weights are based on the open interest at the end of 2019. A review of weights will take place at the next Oversight Committee Q1 2021.
- A chart of the Petroleum Index vs London Marker covering August 2020 – November 2020. The London Marker is an indicative rate produced on a best efforts basis.
- Correlation of daily returns between the London Marker and Petroleum Index.
- A chart comparing performance of each of the three components over the August to November period.
- The Administration validation checks passed on all 82 days during the period for all three components.
- A chart comparing the volumes for each component of the index with a table showing the mean, median and max daily volumes.
- A chart displaying the average daily open interest for each component across the four months.
- A table containing the current weights used for each of the components and the weight of open interest from August till November.
- A chart displaying the “Pace of the Roll”, taken from the corresponding CME tool.

It was noted that the methodology document has been updated and is being presented to the committee for approval.

- The index name has been updated to CME Group Petroleum Index throughout the documents.
- Minor grammatical and wording changes and corrections have been made.
- Current component weights have been moved to the end of the Source of Input Data section.
- Minor change to the formula used during roll periods.

It was noted that the introduction paragraphs in the IOSCO statement have also been updated.

The Chair thanked the Administrator for the presentation and proposed that the changes to the methodology are approved. The committee approved.

The Chair asked the Administrator an update on the usage of the Index. The Administrator noted that the Petroleum Index was created on request of an Asian client. The Client intends to launch a future (September 2021) against the index to target retail clients.

The Administrator noted that discussions have been held over the publication of the rate on DataMine.

A Member enquired as to whether there was any sales and marketing strategy to push forward the rate. The Administrator noted that as the Index originated from a client request and the client has been given a head start to develop their future product. However, CBA are obligated to make the Index available under FRAND rules and there are plans to assess wider distribution of the index in 2021.

The Chair suggested that the use of the Petroleum Index is added as a standing agenda item to the committee.

AOB

The Administrator explained that going forward, any other business will be used solely to propose new topics and agenda items for the next oversight committee. Items to be discussed at the committee should be raised in advance for inclusion in the formal agenda.

The Compliance representative enquired about the publication of the Petroleum Index in relation to the FRAND rules. The Administrator noted that the benchmark was published on the external CBA website with 24-hour delay. Clients who wish to use the index are required to go through the CME contracting process stating the intended use of the data.

It was noted that before licencing the Petroleum Index for use inside the EU, CBA would be required to update the methodology and documentation.

It was asked about whether CME should look to target other Asian jurisdictions such as Korea or Taiwan.

A member stated that business related topics should be conducted outside of the oversight committee. The Chair agreed that business related topics should be discussed in another format. However, an overview of usage should be included as an agenda item at the next Oversight Committee. It was asked that if there was any feedback from the current licenced client, it would be good to include as part of this agenda item.

The Administrator noted that the client is currently reviewing historical data and using it with JFSA to get approval for their futures product.

The Administrator noted that other benchmarks have an Oversight Committee and a Business committee and suggested that we look to setup something similar for the Petroleum Index.

Legal representative asked that we make it clear that the London Marker is not a benchmark, it is a rate provided on a best efforts basis. The same scrutiny is not applied to this rate that is applied to the Petroleum Index.

The Administrator noted that the London Marker is displayed as an indicative value on the website and use of the rate is not permitted.

Legal confirmed that this approach was fine so long as it is clear the rate is indicative and cannot be used in a derived manner.

The Chair closed the meeting, thanking everyone for attending and noted that the next meeting would take place by the end of February.

