

**CME Petroleum Index Oversight Committee
21st July 2020 11:00am - Webex meeting**

Agenda:

- Introduction to the first CME Petroleum Index Oversight Committee
- Appointment of members of the Oversight Committee
- Introduction to the CME Petroleum Index: definition
- Presentation of statistical data:
 - CME Petroleum Index back-testing
 - NYMEX Futures Open Interest analysis Q4 2019
- Discussion and approval of the Petroleum Index Methodology document v1
- Review of the Petroleum Index IOSCO Benchmark Statement
- Review of the licensing approach & Index dissemination on 3rd party platforms
- AOB

Attendees:

- Owain Johnson (OJ)
- Paul Wightman (PW)
- Gavin Lee (GL) - Chair
- Vincenzo Albano (VA)

Apologies:

- Michelle Hallett (MH)

The Chair declared the quorum and acknowledged apologies from MH.

Chair welcomes participants to the first Petroleum Index Oversight Committee and confirms that appointment letters will be delivered imminently, together with the CBA (CME Group Benchmark Administration) Term of Reference for Oversight Committees, containing roles and responsibilities of OC members.

The Chair asks whether members of the OC have any conflict of interest that would prevent them from being an OC member or may require them to recuse from voting on any topic. None were declared.

The Chair asks the Administrator to go through the presentation's slides containing:

- A brief description of the key features of the Petroleum Index
- An explanation of the 3 component futures and the use of the settlement prices in the calculation and the inclusion of the second month contract during the roll period.
- Charts representing historical notional volumes of the future contracts used for the calculation of the Index.
- Charts presenting the settlement price trend of the components, for an observation period starting 2nd Jan 2018 until 1st June 2020 and for the current year.
- A table showing the Open Interest average over the last quarter of 2019 for the three components.
- An explanation of the constituent weightings was provided including how they will be reviewed annually each January based on the average OI of the for the 4th Quarter of the preceding year.
- A chart illustrating the trend of OI for the three components over the last quarter of 2019.
- Charts presenting the actual back-test calculation of the Index from 2nd Jan 2018 until 1st June 2020 and for the current year.

The Chair summarised the documents attached to the invite and in particular the Methodology document, containing a clear definition of the Benchmark, weights calculation and the roll periods smoothing. The final part of the document focuses on Governance, setting rules on the review of the Methodology, changes to the methodology, procedures for consultation, cessation/fall-backs, record retention (5 years) and audit.

The Chair explained the index will be displayed on the CBA website (expected to go live by the end of July 2020) and available via CME dissemination mechanisms; two prices will be published daily, the index and the indicative London Marker price, only for indication and not to be used as a benchmark; distribution via 3rd party vendors will depend on the vendor's client demand.

The Chair asks the Committee approval of the Methodology document and all OC members approve.

After acknowledging approval, The Chair presents the IOSCO Benchmark Statement. As the benchmark will not be distributed in EU/UK at this moment, only an IOSCO statement is required. An EU/UK BMR Statement might be produced at a later stage, if required.

The Chair clarifies that IOSCO and EU BMR statements are similar, both provide understanding of principles and procedures set by the Methodology, and better explains Administrator's duties and processes. The Petroleum Index Methodology and Benchmark Statement are rather straightforward as the calculation relies on data inputs from a regulated exchange and therefore not subject to submissions from contributors.

The risk of no settlement price being available for the index calculation was discussed. It was concluded that as the rules of the Exchange contemplate a waterfall methodology which provides a settlement price even in force majeure/unforeseeable circumstances this risk was suitably mitigated.



The Chair confirms that the input data are regulated-data and that the Exchange waterfall methodology always ensures a settlement price; and the Methodology includes fall-back procedures for the provision of the benchmark in times of market stress or unavailable data.

The Chair asks for approval of the IOSCO Benchmark Statement and all OC Members approve.

The Chair acknowledges approval and reminds that the approved documents will be available on the CBA website. The website will also refer to CME Compliant Procedures, including an email address that stakeholders may use to report, directly to CME Compliance, their concerns.

It was noted that one of the future contracts used in the calculation should be renamed as per current naming convention; the NYMEX Heating Oil (HO) correct definition is NY Harbor ULSD, ticker HO.

The Chair acknowledged the need to amend the definition across all relevant documents. He asked whether documents should be re-circulated after correction, but all were satisfied that there is no need to re-circulate or re-approve.

The Chair proposed to appoint OJ Chair of the Oversight Committee for future meetings. OJ accepted.

The Chair reminded all Members that any concern can be raised directly with the CBA Board or its Chair.

As there were no further questions or business to discuss, the Chair closed the meeting at 11:35am.