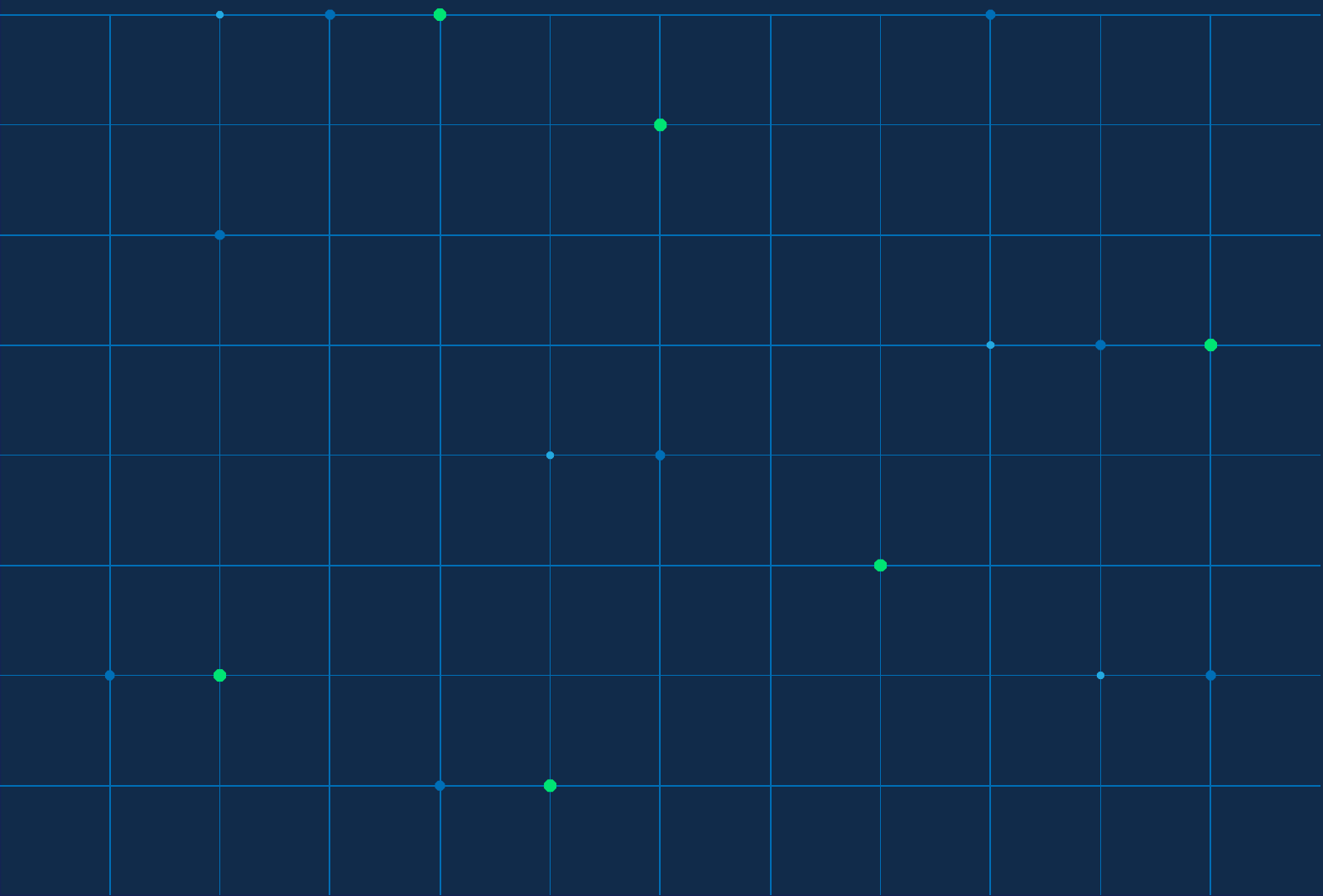


CME Group Petroleum Index

Oversight Committee Minutes – Microsoft Teams

CME Group Benchmark Administration Limited

July 26th, 2021



Attendees

Owain Johnson (OJ) - Chair
Paul Wightman (PW) – voting member
Venera Peternell (VP) – voting member
Vincenzo Albano (VA) – non-voting member
Jackson Griffith (JG) - observer
Gavin Lee (GL) - observer

Apologies

Graham Stride
Tao van der Graaff
Michelle Hallett
Joe Dervish

Agenda

- Introduction to the CME Petroleum Index Oversight Committee (OJ)
- Disclosure of any actual or perceived Conflict of Interest (OJ)
- Approval of previous Oversight Committee minutes (OJ)
- Oil Market Update (PW)
- Administrator's Management Information report (VA)
- Errors and Incidents Report (GS)
- Discussion and approval of the Petroleum Index Methodology v1.4 (GS)
- Licensing Policy and Product Distribution (JG)
- Legal & Compliance update (MH-TvdG)
- Item for discussion at the next Oversight Committee (OJ)

Minutes

Apologies were reported from Legal and Compliance and non-voting members; however, Legal anticipated no relevant updates to share.

The Chair reads the OC disclaimer; there is quorum hence the OC is open; upon request from the Chair no conflict of interest disclosed; previous meeting minutes are approved unanimously.

An update on recent trends in the Oil market was provided (please see slides in the MI pack).

The Administrator provided an update on Index trends, consistent with market strong demand in the first half of 2021. Volumes and Open Interest remained healthy and supportive of a robust benchmark determination. A member commented that Gasoline prices tend to pick-up in Q2 (US driving season) and asks whether this has an impact on Index weights.

The Administrator confirmed that an indicative analysis (to be presented shortly) indicated that Gasoline would have a weight of +3.8%, standing recent open interest. The Chair asks whether this trend is seasonal or structural.

It was commented that it is probably seasonal and a change of weights at this stage might be reversed when approaching the winter season.

The Chair suggests that the Administrator could run a 5-year study to assess whether the Gasoline behaviour is an outlier.

A member added that an analysis on long-term trends in diesel would be beneficial; also a comparison of Gasoline with other products might provide some insights.

The Administrator presented the indicative weights analysis conducted on the period March-June 2021. He clarifies that the formal weights analysis, as per methodology, is performed Q1 of each year on Q4 data of the previous year. On that occasion, if one of the constituents weights changes by more than 3%, the OC is compelled to re-adjust the weights.

The Chair stated the OC would like to see a 5-year study, it could be circulated via email, and eventually make a decision on weights, if deemed appropriate.

The Administrator reported on error and incidents; there were no missing inputs, but an error was identified in the calculation algorithm, with the feathering period calculated incorrectly due to an error in the holiday custom calendar. This has now been rectified, re-running the correct calculation and re-uploading the correct files to DataMine.

The Chair asked how the error was identified.

The Administrator reported that a CBA Team member spotted visually the error and raised the issue¹; other two incidents were identified, resulting from ZE servers migrations.

The Chair asked why the missing publications were identified only after 19 days and whether a process is in place to prevent such errors from happening.

The Administrator reported that as per previous errors, visual checks are currently run by the CBA Team and an OSG with ZE/TickSmith should improve error's monitoring and reporting.

The Administrator provided an update on licencing and distribution (see slide in the MI pack)

¹ Recollecting correctly the chain of event, the issue was flagged by a client who is independently replicating the calculation. CBA was alerted of the discrepancy, prompting a closer investigation and identification of the error in the holiday custom calendar.

The Chair enquired about the policy on non-display licences

The Administrator replied that the opening stance from a market user perspective is display only; non-display for pre-trade is permitted; derived data use is not permitted currently, to provide OSE a run-away space to launch successfully the future contract; the policy will be revisited at a later stage.

The Chair asked if there were further comments or suggestions for the next meeting, as there were none the OC was adjourned.

