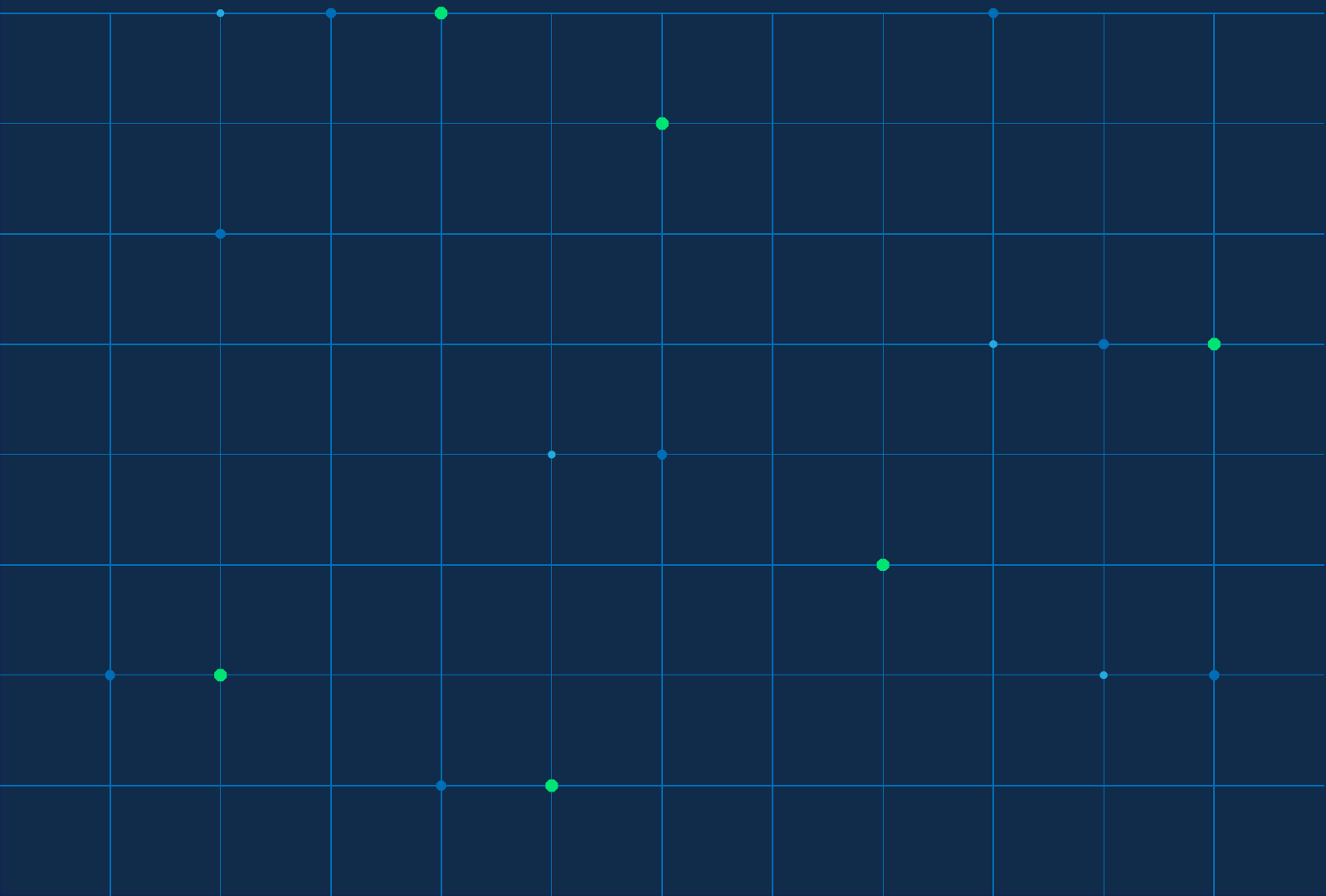


CME Overnight Repo-Backed Benchmarks

Oversight Committee Minutes – web version

CME Group Benchmark Administration Limited

October 27th, 2021



Attendees:

Voting Committee Members:

- John Edwards (JE) – Chair
- Oliver Clark (OC)
- Kiyomi Saito (KS)

Non-Voting Committee Members:

- Vincenzo Albano (VA)

Observers:

- Graham Stride (GS)
- Joe Dervish (JD)

Apologies:

- Alex McDonald (AM)

Agenda

- 1 Introduction to the Oversight Committee
- 2 Disclosure of any actual or perceived Conflict of Interest
- 3 Approval of previous Oversight Committee minutes
- 4 Administrator's report:
 - a. RFR Euro Benchmarks
 - b. RFR Sterling
 - c. JBOND
 - d. Overview of Incidents and Events / Validation Checks
- 5 Proposed changes to the RFR Calculation Methodology
- 6 Discussion and approval of the CME Overnight Repo Backed Benchmark Methodology v1.2
- 7 Legal and Compliance Update
- 8 Item for next Oversight Committee

Minutes:

Introduction to the Oversight Committee & Disclosure of any actual or perceived Conflict of Interest

The Chair opened the oversight committee and explained the aims, purpose and expectations of attendees. The Chair asked that any attendee who has a potential conflict should state it at the start of the meeting. No members noted any conflicts.

Approval of previous Oversight Committee minutes

The Chair asked for approval of the previous Oversight Committee minutes. The minutes were approved by all voting members.

Administrator's report

The Chair asked the Administrator to present its report to the committee.

The Administrator's report was presented. It contains a number of charts and tables to demonstrate the performance of the benchmarks since the previous committee.

The first set of charts compared the RFR benchmarks to comparable indices, publicly available, for the period April to September 2021. The comparison demonstrated that RFR benchmarks are consistent with the underlying markets and their respective trends over crucial, reporting dates.

The Administrator also presented a correlation table among RFR Euro and the 10 Eurozone countries. While in general correlation is very high (above 90%), in the case of Ireland and Portugal the correlation drops as low as 70%ca. Such low correlation has prompted further analysis, whose results will be expanded later in the meeting.

The Administrator presented a volume analysis for each benchmark, confirming that data sufficiency was satisfactory, as required by the regulation.

The Administrator continued with an overview of Incidents for the period Apr-Sep 2021, providing details of each incident and their remediation. The Administrator also presented an overview of the validation checks performed during the period, in line with the methodology. Only one exception was reported -RFR Netherlands- details had already been provided in the “Incidents” section. It was noted that this was a false positive.

The Administrator moved to presenting the changes proposed to the RFR Calculation Methodology. The Administrator elaborated on the current approach and compared to alternative calculation methodologies. The results of the extensive analysis conducted by the Administrator demonstrated that the current approach is flawed in low volume markets (like Ireland and Portugal), where the top/bottom trimming methodology might distort the final result, deviating from the prevalent credit assessment of the issuing country. Further analysis is available in the Appendix of the Management Information pack.

The Administrator analysed the impact of different potential changes to the methodology. The analysis showed that changing the specific collateral filtering methodology to trim the bottom 25% of trades produced benchmark calculations that appeared more representative of the underlying market. The Administrator proposed changing the methodology to filter the 25% of specific collateral transactions. This approach would be applied to RFR JBOND, RFR Sterling and the RFR Euro benchmark (including individual country benchmarks).

The Oversight Committee unanimously approved the proposed changes.

The Administrator specified that the proposed changes would require technology development and the new methodology will be deployed after all the testing is satisfactorily completed.

Legal and Compliance Update

The Compliance representative update focused on the Senior Manager Regime. An annual notification was set to be made to the FCA covering breaches of the Conduct Rules under SMR. As the Conduct Rules do not apply to the bulk of CBA employees until 7 December 2021, the notification for this year will only apply to directors of the board who are not senior managers. This will be a null submission for CBA.

Schedule for next Oversight Committee

No items were suggested for the next Oversight Committee.

The Chair thanked everyone for their comments and attendance and closed the meeting.

