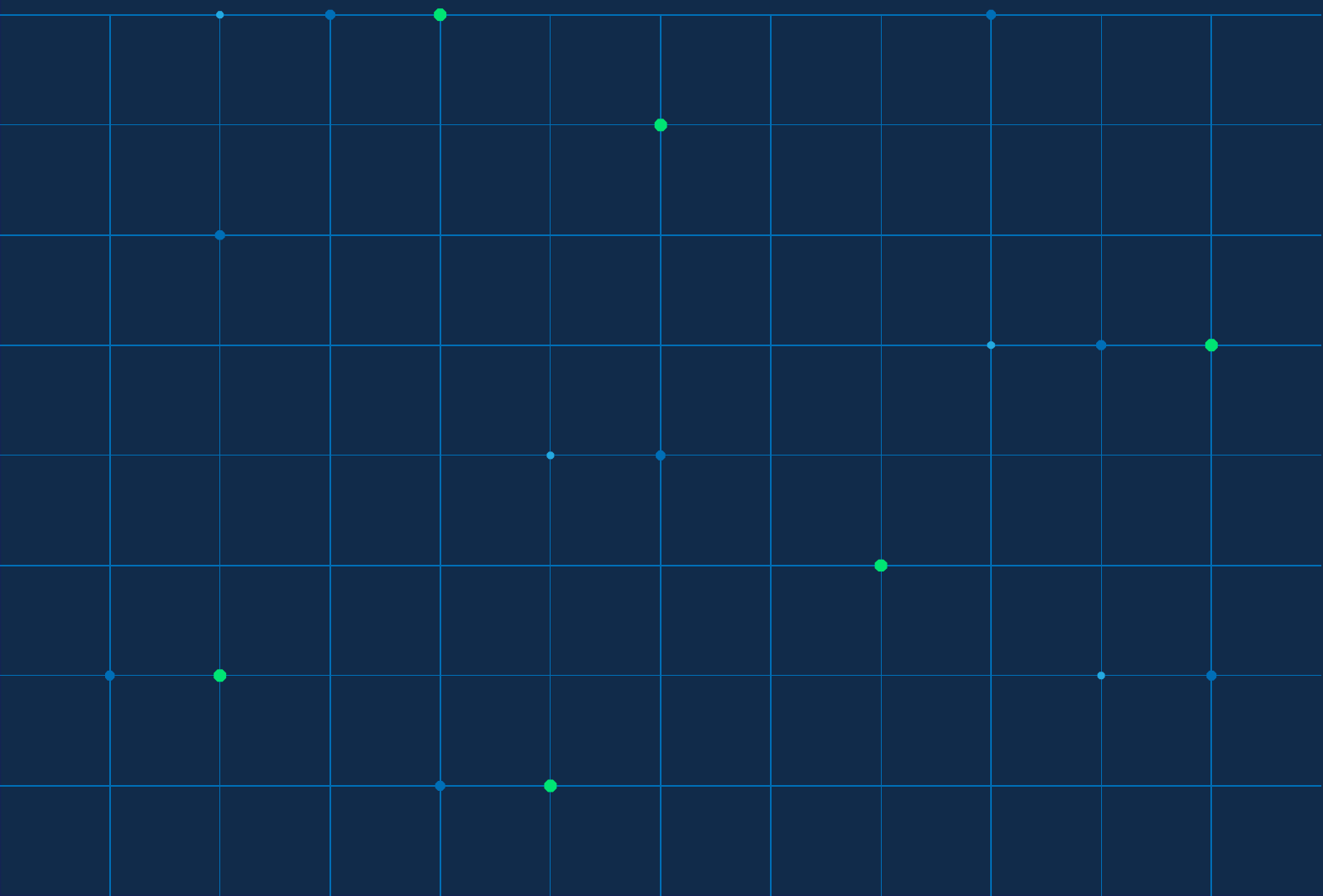


# CME Volatility Index (CVOL<sup>tm</sup>) Benchmarks

Oversight Committee Minutes

CME Group Benchmark Administration Limited

November 3<sup>rd</sup>, 2020



**CVOL Oversight Committee**  
**03 November 2020 14:00 GMT; 11:00 EST – Webex meeting**

**Agenda:**

- Introduction to the first CME Group Volatility Index (CVOL™) Oversight Committee
- Appointment of members of the CME Group Volatility Index (CVOL™) Oversight Committee
- Disclosure of any actual or potential Conflicts of Interest
- Appointment of Oversight Committee Chair
- Introduction to the CME Group Volatility Index (CVOL™): definition
- QuikStrike Live Demo
- Discussion and approval of the CME Group Volatility Index (CVOL™) Methodology v1.0
- Review of the CME Group Volatility Index (CVOL™) IOSCO Benchmark Statement
- Review of the licencing approach & Index dissemination on 3<sup>rd</sup> party platforms
- AOB

**1.1. Attendees:**

Committee Members:

- Craig LeVeille (CV)
- John Wiesner (JW)
- Vincenzo Albano (VA)
- David Reif (DR)
- Carrick Pierce (CP) - Chair

Observers:

- Tao Van De Graaff (TVDG)
- Michelle Hallett (MH)
- Gavin Lee (GL)
- Graham Stride (GS)

**Minutes:**

Introduction and appointment of members:

CBA (CME Group Benchmark Administration) declared quorum to the meeting and welcomed the participants to the first CVOL Oversight Committee (OC) and confirmed that all appointment letters had been signed and returned by the committee members.

The five committee members provided a brief introduction to themselves and their role within the CME Group.

Conflicts of Interest:

The members of the OC were asked whether they 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.

Appointment of Oversight Committee Chair:

CP was proposed as the chair of the OC. This was approved by the OC members.

Introduction to CVOL:

The Chair provided an introduction to the CVOL product and noted the following:

- The CVOL product is based on the volatility of options. The construction is unique in that it utilises a weighted portfolio of out of the money puts and calls across the volatility curve to create volatility indices.
- Initially there will be eight indices launched:
  - Sovereign Debt:
    - US 10 year T-Note Price
    - US 10 year T-Note Yield
  - Foreign Exchange
    - EUR/USD
    - GBP/USD
    - JPY/USD
    - AUD/USD
    - CAD/USD
  - Broad Based Indices
    - FX G5 Volatility Index
- Along with each index, three derived indicators will be published:
  - Up Var – Implied volatility of the call options
  - Down Var – Implied volatility of the put options
  - Skew – Ratio of Up Var to Down Var
- In the following months, it is planned to launch a number of other indices as well as two further derived indicators (At the money vol, Convexity).

It was noted that CBA would be the Benchmark Administrator of these indices and derived indicators. CME Inc. will be the designated calculation agent and Bantix-QuikStrike will support CME Inc. with aspects of the calculation.

The benchmark will comply with the IOSCO Principles for Financial Benchmarks. A methodology will be published externally, along with an IOSCO Compliance Statement. There is a plan in Q1 2020 to issue a BMR Benchmark Statement and make the benchmark available for use in the UK and EU.

#### Quikstrike Live Demo:

The Chair presented the current production version of the external interface for the CVOL indices. The interface contained a separate tile for each index and within the tile it showed:

- Index level
- Derived Indicator levels
- Range Bar
- Indicator of recent (5 day) directional movement of index

The Chair demonstrated:

- How the data could be shown for different time series with historical data going back over 2 years.
- How a chart view can be produced for each index and derived indicator. The charts are able to be printed and the screen contains a link to CME DataMine to download the data.

The role of QuikStrike was clarified. They are responsible for producing the GUI and perform the initial calculations for CVOL. CME Inc. perform automated checks on the output of the calculation prior to the publication of the rate.

The OC asked for clarification on the timing of the pre publication checks. The Chair confirmed that the automated checks conducted as soon as CME Inc. received the data. If the pre-publication checks fail there is a set process to be followed as set out in the methodology.

The Chair noted that CME Inc. would conduct additional checks post launch, in its role as calculation agent, to confirm that there is no deviation from the expected output.

Approval of the CVOL Benchmark Methodology:

The OC was asked whether there were any questions on the methodology document and whether the members were happy to approve.

The OC approved the CVOL Benchmark Methodology document unanimously.

IOSCO Statement:

CBA drew the attention of the OC to the IOSCO Statement which has been circulated for noting by the committee. CBA noted that the IOSCO Statement has been reviewed and approved by Legal and Compliance.

CBA informed the OC that the IOSCO statement and Benchmark Methodology clarify the roles of CME Inc. and Bantix in the calculation of CVOL.

Compliance update:

Compliance noted that because of Brexit, EU BMR is being onshored. Compliance is working with external council to determine what the implications are for our benchmarks.

AOB:

CBA clarified that OC meetings would be held at least every quarter. The Chair noted that extraordinary events or approvals may require additional meetings be scheduled.

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

