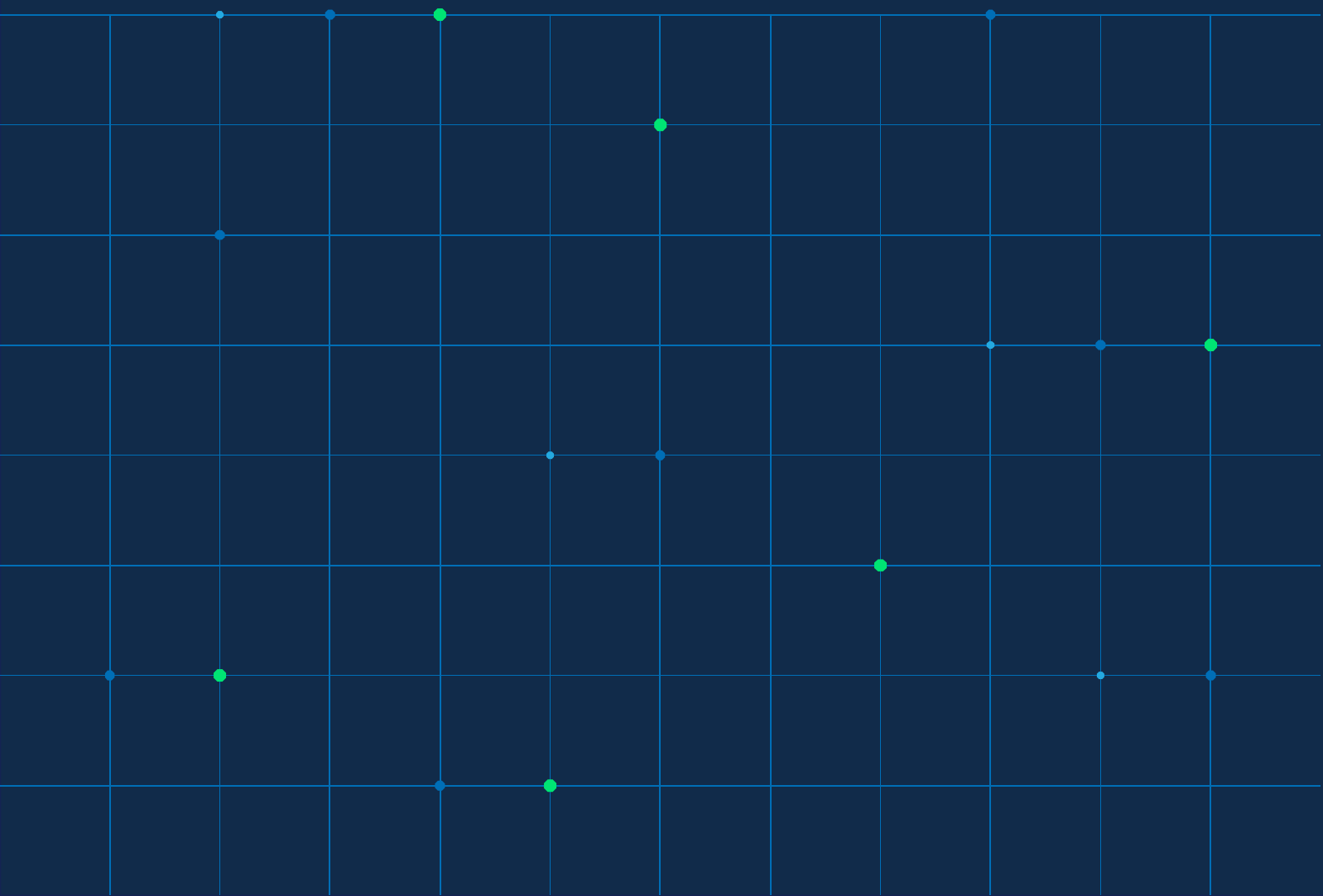


CME Group Volatility Index

Oversight Committee meeting minutes

CME Group Benchmark Administration Limited

January 12th, 2021



Attendees

Voting members::

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

Non-voting Members:

- Vincenzo Albano (VA)

Observers:

- Tao Van De Graaff (TVDG)
- Michelle Hallett (MH)
- Gavin Lee (GL)
- Graham Stride (GS)
- Jeff White (JW)
- Jackson Griffith (JG)

Agenda

- Introduction to the Oversight Committee
- Disclosure of any actual or perceived Conflict of Interest
- Approval of previous Oversight Committee minutes
- Appointment of new members of the Oversight Committee
- Approval of new Indices to CVOL
- Approval of CVOL Index Classification
- Approval of Tenor Selection Group Allocation
- Approval of CVOL Methodology Changes
- Schedule for next Oversight Committee

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Minutes:

The meeting was called to order and declared quorate..

The Chair formally opened the meeting of the CVOL Oversight Committee and welcomed all attendees.

The Chair noted that there was a tentative launch date for a number of new CVOL indices as well as two new derivative indicators (ATM Vol and Convexity) that will apply to all new indices including previously launched indices. The Chair also noted that there was an update to the Tenor Selection approach and classification which will be explained in more detail later in the meeting.

No conflicts of interest were registered and the minutes from the previous meeting were approved unanimously by the Oversight Committee (OC).

The Chair proposed to the committee that Jeff White is added as a voting member to the committee owing to his experience in energy products and other commodities. All committee members approved. It was confirmed that the appointment would commence post the signing of the appointment letter and reading the Terms of Reference.

The OC noted that there were several new indices being introduced to the CVOL family:

- In Sovereign Debt there are four new products:
 - US 5-year T-Note (OZF) – Price
 - US 5-year T-Note (OZF) – Yield
 - US 30-year T-Bond (OZB) – Price
 - US 30-year T-Bond (OZB) – Yield
- In Metals there are two new products:
 - Silver (SO)
 - Gold (OG)
- In Agriculture, there are three new products:
 - Wheat (OZW)
 - Corn (OZC)
 - Soybeans (OZS)
- In Energy there are two new products:
 - WTI Crude Oil (LO)
 - Natural Gas (LN)
- There are also two new Derivative Indicators applicable to all CVOL instruments:
 - At the Money Vol (ATM Vol) – Premium of the theoretical at-the-money (ATM) volatility
 - Convexity – The degree of curvature of the volatility curve as indicated by the ratio of the Volatility Index value and the ATM Vol.

The Chair proposed the addition of the new indices and derivative indicators to the CVOL Family of Benchmarks. All members of the committee approved.

The OC noted that the first round of CVOL indices used a tenor selection methodology that was consistent across all products at launch. However, with the new additions there were differences in the tenor selection approach across the different indices. Each CVOL index would be assigned a Tenor Selection, determined by five criteria.

The OC noted that the Tenor Selection for each CVOL index can change. The periodic review of contract availability, settlement data, liquidity and seasonality may result in certain indices changing over time. The initial classification of the indices is not permanent. A summary of the results presented to the Oversight Committee.

The Chair ran through the current classification of each CVOL index and the output of the assessment criteria for each index.

The Administrator explained that the summary document was designed to show which contracts were available for each CVOL index and then provide additional information on liquidity, seasonality, consistency and settlement data.

The OC provided comments on the summary table. The Chair set an action to update the summary table for factual accuracy and clarity and re-circulate to the committee via email for approval.

The Administrator explained the changes to the methodology and referred the committee members to the marked up and clean methodology documents which had been circulated. The Chair proposed to the committee that the methodology be approved for update, to be published at the launch of the new products. The OC approved the methodology.

The Administrator noted that this was a shorter extraordinary meeting of the committee but asked whether there were any updates from legal or compliance.

It was noted that the intergroup agreement between administrator and CME Inc will be formalised soon. This would formally set out the outsourcing arrangement for the calculation of all CBA benchmarks and puts in place a SLA.

The Chair noted that the team plan to commence work on the final set of products and broad based indices to be added to CVOL. The Chair suggested that the next committee is scheduled for late February or Early March to go through the proposed new products.

The Chair asked whether a Teams folder of SharePoint could be created to include the latest documentation for the Oversight Committee. The Administrator confirmed that they would investigate this.

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

