

INDEX OVERSIGHT COMMITTEE

OCTOBER MEETING MINUTES

Date	30-Oct-2020
Time	12:30am - 1:30pm

Agenda:

Standing Agenda Items

1. Conflicts Register, Complaints and Expert Judgement Register Review
2. In-Process Consultations
3. Index/Reference Rates Issue Review
4. Indexes in Production Review
5. Reference Rate Review
6. Products Approval Requests
7. CMBI Product Proposals
8. Index Clients and Client Opportunities

Unique Agenda Items

9. Risks to the Production of Reference Rates

Attendees:

Name	Role	Attendance
Tim Rice	Chair	Dial-in
Kerry Yndestad	Member	Dial-in
Benjamin Celermajer	Contributor	Dial-in
Kevin Lu	Contributor	Dial-in

Quorum was met and it was noted that there was not external membership presence

Conflicts Register, Complaints and Expert Judgement Register Review

No conflicts identified during the meeting.

No complaints received in Q3.

No expert judgement was applied to the determination or calculation of any CMBI Index during Q3 2020.

Expert Judgement was applied to the determination of Free Float Supply to be used for the construction and ongoing maintenance of the CMBI 10 in Q3

- 29th of September:
 - PolkaDot - Apply a supply banding of 80%-90% for Polkadot
 - PolkaDot - Hard code the Polkadot Free Float and Total Supply into the calculation engine

Expert Judgement was applied to the determination of Reference Rates relating to the market selection and recalculation of rates.

- The following 14 markets were manually removed from our whitelist: ["cex.io-btc-usd-spot", "liquid-btc-usd-spot", "cex.io-eth-usd-spot", "zb.com-eos-btc-spot", "zb.com-qtum-btc-spot", "kucoin-man-btc-spot", "kucoin-ppt-btc-spot", "bittrex-cvc-btc-spot", "hitbtc-grin-btc-spot", "cex.io-btc-eur-spot", "bitflyer-btc-eur-spot", "liquid-btc-eur-spot", "cex.io-eth-eur-spot", "bittrex-eth-eur-spot"]
- The following 37 markets were manually added to our whitelist: ["itbit-eth-usd-spot", "kraken-etc-btc-spot", "bittrex-etc-btc-spot", "bitfinex-etp-usd-spot", "huobi-qash-btc-spot", "huobi-bft-eth-spot", "bitstamp-xlm-usd-spot", "bittrex-usdt-usd-spot", "bittrex-eth-usdt-spot", "binance.us-btc-usdt-spot", "kraken-btc-usdt-spot", "binance.us-usdt-usd-spot", "kraken-eth-usdt-spot", "binance.us-eth-usdt-spot", "gemini-link-usd-spot", "huobi-dgd-btc-spot", "huobi-lun-btc-spot", "hitbtc-lun-btc-spot", "okex-chat-btc-spot", "okex-cvc-btc-spot", "okex-cvc-eth-spot", "okex-abt-eth-spot", "bitfinex-leo-usd-spot", "kucoin-etn-btc-spot", "kraken-snx-usd-spot", "bittrex-sxp-btc-spot", "ftx-sxp-usd-spot", "huobi-band-btc-spot", "okex-ksm-btc-spot", "huobi-ksm-btc-spot", "huobi-bal-btc-spot", "okex-bal-btc-spot", "bitfinex-dgx-usd-spot", "hitbtc-eth-gusd-spot", "hitbtc-btc-gusd-spot", "upbit-meta-btc-spot", "bitfinex-xaut-usd-spot"]

Recalculations to small portions of 17 assets were conducted:

- bcn-usd from 2020-07-01 to present
- cvt-usd from 2019-12-11 to present
- dent-usd from 2020-01-23 to present
- dta-usd from 2020-01-23 to present
- dx-usd from 2020-04-09 to present
- grin-usd from 2019-05-23 to present
- ignis-usd from 2019-03-22 to present
- leo-usd from 2020-07-01 to present
- mof-usd from 2020-02-26 to present
- nmr-usd from 2019-01-28 to present
- npxs-usd from 2018-06-22 to present
- paxg-usd from 2020-04-08 to present
- rif-usd from 2019-01-16 to present
- vsys-usd from 2019-04-02 to present
- zb-usd from 2019-05-29 to present
- dent-usd from 2018-07-13 to present
- pnt-usd from 2020-09-28 to present

An outlier was removed for 1 asset:

- Removed outlier on ignis-usd on 2019-10-02 22:00:00

In-Process Consultations

No consultations in process

Indexes in Production Review

Publicly announced / available:

- CMBI Bitcoin (+Total)
- CMBI Ethereum (+Total)
- CMBI Bitcoin Hashrate
- CMBI Observed Work
- CMBI Bitcoin and Ethereum
- CMBI 10
- CMBI 10 Excluding Bitcoin
- CMBI 10 Even

Privately in production:



Are all indexes still efficiently and effectively achieving their desired outcomes and purpose?

- The Oversight Committee believes that the indexes still serve the purpose they are defined to serve.
- Concerns have been raised recently about some of the multi asset indexes investability. The concern arose from a recent and surprisingly high amount of turnover.
 - Polkadot and Binance were promoted to the index in October.
 - Turnover might be increasingly likely in highly volatile bull markets.
 - Pro of the current design: It maintains a high level of relevance in a rapidly changing industry.
 - Con of the current design: The concern is that institutions might see the high level of turnover as an undesirable characteristic of a passive index.
 - This feature is likely desirable for retail markets that want to have exposure to an up to date basket of assets. But for institutions it is likely an additional cost and potentially disruptive aspect that makes investing at size difficult.
 - Potential solution: Consider an alternate index that rebalances quarterly.
- The committee requested that Administrator calculate historical turnover of the CMBI10

Any other commentary / observations on existing index products?

- Index specific data visualization applications have been launched. These include:
 - Webpages - v1 launched with additional data to be published in v2 (historical data tables, constituent market data, constituent asset data)
 - Index data is now available through the CM Mobile App
- Multi asset indexes are being integrated into Bloomberg

Reference Rates Review

Publicly announced / available:

- Reference rates coverage universe was expanded to 305 assets.
- The following 5 assets are removed from the coverage universe: [“arn”, “pma”, “erd”, “man”, “iq”, “lend”] because of insufficient number of active constituent markets.

The committee discussed several aspects of the Reference Rate Methodology where further research can be conducted to test for performance during particular edge case scenarios.

- **Market Selection Framework modified so that low volume markets are less likely to be selected. Additional research is needed to deal with low volume markets.**
- **Research is needed to improve Real-Time Reference Rate methodology in instances where major markets differ.**
- **Research is needed regarding suitability of Tether and stablecoin quoted markets as constituent markets in our whitelist.**
- **Research is needed in how to more accurately price assets with very low prices in U.S. dollars.**

The Administrator will conduct the requested research and report finding and improvement suggestions back to the OC.

Products Approval Requests

No new products in development that require approval from the OC.

Are there any proposed changes to existing products that require OC sign-off?

- No current proposed changes to any existing CMBI index

What products are production ready and require OC signoff for launch?

- NA