

INDEX OVERSIGHT COMMITTEE

Q3 2020 REVIEW 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. Indexes in Production Review
4. Reference Rate Review
5. Products Approval Requests

Unique Agenda Items

6. 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 - Since Coin Metrics had not parsed the full Polkadot node and generated metrics, expert judgement was required - After reviewing supply and running several individual queries to the node, it was deemed a supply banding of 80%-90% was appropriate.

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

- During the quarter, certain constituent markets on the below exchanges were removed from the Coin Metrics market whitelists to improve the reliability of the Reference Rates: Bitflyer, Bittrex, CEX.IO, BitBTC, KuCoin, Liquid and ZB.com.
- During the quarter, certain constituent markets on the below exchanges were added to the Coin Metrics market whitelists to improve the reliability of the Reference Rates: Binance.US, Bitfinex, Bitstamp, Bittrex, FTX, Gemini, HitBTC, Huobi, itBit, Kraken, OKex and Upbit.

Recalculations were conducted to small portions of the following 17 assets:

- Bytecoin (BCN), CyberVein(CVT), Dent (DENT), DATA (DTA), DxChain Token (DX), Grin (GRIN), Ignis (IGNIS), UNUS SED LEO (LEO), Molecular Future (MOF), Numeraire (NMR), Pundi X (NPXS), Paxos Gold (PAXG), RIF Token (RIF), v.systems (VSYS), ZB Token (ZB), Penta (PNT)

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.
- Both price indexes closely represent the aggregate market price of the underlying assets evidenced by their levels in comparison to the market.
- Multi asset indexes provide an accurate representation of the largest crypto assets and the Committee believes that the use of Free Float Market Capitalization provides an accurate view of market liquidity conditions.
- Both mining indexes provide an accurate representation of the effort that Bitcoin miners are contributing to the Network.
- Concerns have been raised recently about some of the multi asset indexes investability. The concern arose after relatively high October turnover.
 - Polkadot and Binance were promoted to the index in October.
 - Pro of the current design: It maintains a high level of relevance in a rapidly changing industry.
 - Con of the current design: A high level of turnover might reduce investability and be an undesirable characteristic of a passive index.
- The committee requested that Benjamin calculate and report the 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)
 - Mobile
 - CMTV

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.

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.

Real-Time Reference Rates methodology is susceptible to stale prices in certain edge cases where one constituent market is given too much weight due to low price variance. These markets with low price variance tend to be very low volume markets. Constituent market logic was modified such that a constituent market must have at least 1 percent of the volume of the constituent market with the highest volume.

Research is needed to improve Real-Time Reference Rate methodology in instances where major markets differ.

Real-Time Reference Rates are susceptible to instances where major markets differ. More research is needed to propose an improvement to the Real-Time Reference Rates which increases the quality of the prices against all types of edge cases.

Research is needed regarding suitability of Tether and stablecoin quoted markets as constituent markets in our whitelist.

Our reference rates will be improved if we would allow these markets to serve as constituent markets for certain assets in the long-tail and especially assets that have very low prices in U.S. dollars.

Research is needed in how to more accurately price assets with very low prices in U.S. dollars.

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

Risks to the Production of Reference Rates

- Market Selection Framework should be improved by the addition of new features which are more effective in assessing market quality.
- Response time to material events is limited due to capacity and process constraints. Our response time in fixing these events can be long, although they primarily affect assets in the long-tail.