



Commodity Markets Council - Europe

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CMCE Annual General Meeting, 9 November 2018 Minutes

1. Chair's welcome

Samina Anwar, CMCE Exco. Chair thanked members on the occasion of marking her first year as CMCE Chair and reflected upon the key activities in 2018. For the first time, CMCE conducted individual member interviews, commenced the organisation of bi-annual members meetings with the first one in Geneva in September, and is in the process of launching a CMCE members only website to aggregate documents into one place. A CMCE stakeholder engagement strategy is in the process of being finalised and an event with policy makers in Brussels should take place in Q1 2019.

The Chair also provided an update on the Swiss CMCE Chapter which now has 5 active member participants, and has managed to build trusted relationships with regulators, and has achieved positive policy outcomes including a good outcome in pushing back the go-live date for NFC- reporting.

She summarised the main achievements of CMCE in 2018. This year, CMCE launched its Brexit WG and to date it has organised 5 meetings and calls which has resulted in the compiling of a list of questions which was submitted to 3 regulators (UK, FR, NL) for discussion during the AGM. On EMIR, CMCE has engaged with policy makers on the EMIR Refit negotiations achieving some changes to the European Parliament text on the process of calculating NFCs positions against the clearing thresholds. On MiFID II, CMCE has supported members on implementation questions such as related to economically equivalent OTC contracts and classification of certain physical forwards contracts.

The Benchmarks WG has been busy with implementation questions, particularly in the UK where CMCE is engaging with the FCA and HM Treasury. CMCE is also engaging with European policy makers on the Low-Carbon Benchmarks proposal as a part of the Sustainable Finance initiative. CMCE gave its support to letters of the Joint Energy Associations Group led by EFET to MEPs on aspects relevant for commodity dealer investment firms in the review of the prudential requirements for investment firms. For more detail, please refer to the slide circulated with the minutes.

She thanked the advisers and members of the CMCE Exco for their hard work during 2018.

2. Message from CMC President Jim Newsome

CMC President, Jim Newsome, addressed members from South Dakota and thanked the members of the CMCE Executive Committee for their hard work. He noted that in a short period of time, many companies are beginning to recognise the work of CMC in the field of energy and commodities and their relationships with regulators and decision makers in the US and in Europe.

He provided an update on the expected CMC agenda for 2019. The CFTC, now with 5 full members, has a full agenda and it is expected to be relatively busy next year.

The policy spotlight should remain on trade in 2019 as it has in 2018. Blockchain technology and other disruptive technology will also remain of critical importance. These priorities will be reflected in the agenda of the CMC Conference on the State of the Industry in January in Miami, which he warmly encouraged members to attend.

Following the midterm elections in the US, some important changes in leadership can be expected in important committees for CMC in the House of Representatives. Maxine Waters, the Democratic representative from California will chair the House financial services committee and from her previous statements, she may choose to make policy changes in important areas for CMC.

3. Update on 2018 US Midterm Election from CMC Legal Counsel, Kevin Batteh

Kevin Batteh, the General Counsel for CMC gave an overview of the political developments in the US following the recent midterm election which took place on November 6th. While there has been a trend in forecasting political elections becoming more difficult, this election largely did align with expectations.

High level observations include that there were an unusually large number of female candidates, particularly running for the Democratic party, and the number of female voters exceeded male voters. The Democrats focused heavily on healthcare and taxation. These developments suggest that a female candidate could run for President in the Democratic party in 2020, possibly challenging President Trump. Data collected from exit polls suggest that nearly two thirds of voters voted based on their opinion of President Trump despite his name not being on the ballot. This is not unusual in midterm elections, which are usually considered a referendum on the President.

The Democrats won the House of Representatives by a comfortable margin, but they did not make the gains necessary in the Senate. We should not expect change in Senate leadership; Mitch McConnell has proven himself to be an adequate Senate majority leader. Democrats should remain worried for the 2020 Presidential race considering that Senate republicans won big in battleground states (including Florida, Indiana, etc.) and held their positions in Tennessee and Texas which were under heavy scrutiny.

However, a win for the Republicans in 2020 is not clear; a key race which suggests the President may have a crack in his base in the Midwest is the fact that Ohio Democratic Senator Brown kept his seat. He is also important for CMC considering his membership on the Agricultural affairs and Banking Committees. The contenders for the 2020 election will now begin to emerge. People are watching Kirsten Gillibrand (D-NY) as well as Amy Klobuchar (D-MN) in the Democratic party but the President is unlikely to face a serious contender from within his own party.

In terms of bills, there is a lot of ongoing work which CMC is involved with on the farm bill. However, House investigations of the President are likely to have an impact on this.

4. Outlook for 2019, CMCE Advisory team

Members of the advisory team, Anna-Maria Karjalainen (Hume Brophy) and Chris Borg (Reed Smith), gave a presentation on the Outlook for CMCE in 2019 in accordance with the slides circulated with these minutes. 2019 will be an unusual year in the European political and regulatory landscape given Brexit and the European elections in May.

Brexit and the European Elections will dominate the EU political and regulatory landscape in 2019. Looking at the European Parliament, we are likely to have a loss of knowledge of many of the issues that are relevant for CMCE because most of the key MEPs who have been involved in the review of key legislation will no longer be there. Given that Brexit happens at the same time, that loss of knowledge of commodities issues will be echoed on the Council side. It will therefore be important to engage with new ECON Committee MEPs to explain what the value the commodity derivative markets is for the broader European economy, so that they have that in the back of their minds when they start discussing any potential new regulation touching on those markets. There is also an opportunity in the first half of 2019 to seek to influence the agenda of the next Commission and it makes sense to engage with the Commission in this period.

Brexit is expected to be a key focus of regulatory activity for CMCE in 2019. A lot of open questions remain around the transitional period and more technical issues which have been discussed in CMCE Brexit WG. We also begin to see that EU member states are also taking their own initiatives such as the French PACTE bill. Brexit will be an exercise of huge proportions and market access is the biggest issue given that there are trends towards potentially making it much harder. From the UK side, there is a need to anticipate the inevitable divergence between the UK and the rest of Europe which will emerge in the coming years.

A number of regulatory issues were highlighted as regards negotiations on Level I issues that are currently ongoing, new issues that the Commission will have to be looking at given various measures that are foreseen under existing legislation, as well as possible areas of regulatory focus under the next Commission mandate that will begin in 2019.

A Member commented that it is now likely that the low-carbon benchmarks proposal will be finalised before the European elections because of the need to extend the transitional period for critical benchmarks by two years. An amendment to this effect is being pushed by the European Parliament.

A Member asked whether blockchain is likely to be added to the EU definition of financial services. A member of the advisory team noted that ESMA had organised a working group looking at the regulatory issues around DLT and crypto currencies and the Securities and Markets Stakeholder Group has provided advice to ESMA recommending that level 3 guidelines should be produced on some aspects of this.

5. Brexit & commodity derivative markets – Session with EU regulators

A list of indicative CMCE questions on issues related to Brexit had been sent to the regulators ahead of the meeting. Some of the questions are referenced below for the sake of clarity.

EU regulators were represented by Antonio Ocana Alvarez, AMF representative in ESMA commodities task force, and Sander van Leijenhorst, Brexit Project Lead, AFM.

General comments

AMF: Brexit is a political decision and the roles of the NCAs will be to implement changes which are required once there is a clear direction. Market participants are urged to have a contingency plan for a no-deal scenario and they hope that all entities will be adequately prepared because the outcome of the negotiations is not clear. There has been a discussion on commodity derivatives at ESMA to identify issues impacted by Brexit. The European Commission is represented in these meetings and there is an expectation that these representatives would escalate issues raised during those sessions within the Commission hierarchy if needed. This working group is nevertheless not a part of Task Force 50 and would therefore not have visibility on all aspects of the negotiations.

AMF: A number of entities are relocating to France and are grateful for the simplified licensing process. The relevant teams at the AMF and ACPR are processing the applications.

MiFID II ancillary activity exemption

AMF: Brexit will have a great impact on the MiFID II framework for commodity derivatives, including the AA test. There are a number of options which could be used to resolve this issue and they each have their respective pros and cons.

Option 1 - Keep things largely as they are and include UK data in denominator for market size. This would be advantageous insofar as that it is the simplest for the market, but it is difficult from a legal point of view for ESMA to use data from the UK, but not from other third countries. There would also be a need to coordinate between ESMA and the FCA with regard to market size data that ESMA publishes in order to eliminate the risk of double counting.

Option 2 - Change the thresholds to adapt to what the EU27 market represents. However, some thresholds would change drastically and there are many questions to answer such as whether it makes sense for markets which are almost entirely in the UK (e.g. oil, metals, coal) to have threshold in the EU where those markets do

not really exist. This would require a fact-finding exercise so that thresholds could be calibrated on the activity of biggest market players without interfering with the objectives of MiFID II.

Option 3 – Re-evaluate the framework in a more holistic way. This would require more profound changes and a revision of the Level I text. It would require looking at the EU27 market and the kinds of players and markets to assess how the AA test fits the EU markets. This would be a long-term exercise and would not solve the immediate issue created by Brexit.

The AA test is nevertheless not considered to be a cliff-edge issue because the first notification impacted would be in 2020 where the 2019 denominator would shrink for the last three quarters.

Discussion:

A CMCE member expressed agreement that the easiest option would be option 1.

A member of the advisory team commented that each of the 3 options may have a different timeline and that firms need to know in advance what changes are made to have the time to prepare. There is also a potential step change in the third year.

The AMF commented that a review of the AA thresholds is included in MiFID II, so in any case this would have been reviewed even without the backdrop of Brexit. He also said that the solution could be a mix of the 3 options, and that they will absolutely take into consideration the fact that firms will need to know the framework in advance.

A CMCE member commented that both Solutions 1 and 2 would require changes to the Level 2 text and asked about the timeline for that. The AMF responded that given the European elections, it is tricky to have a timeline which is certain as there would need to be a European Parliament in place to exercise their scrutiny rights.

A CMCE member commented that as the numerator will also change for firms in addition to the denominator, the impact will not be dramatic. The AMF responded that indeed the thresholds will not be changed without engaging in dialogue with the market so that they are aware of the impact the changes would have on market participants.

The AFM added that for those instruments traded on an OTF, it is important to keep in mind that UK OTFs will no longer be considered OTFs. In follow-up to that, a Member asked why a UK swap traded on an OTF but not traded in EU would become a financial instrument as this would be the equivalent of classifying US swaps as financial instruments. The AFM responded that if the swap is traded outside the EU for non-EU clients, there is no need to consider this, but if it is traded for EU clients then it becomes a financial instrument under MiFID II.

EMIR and cross-border access to trading infrastructure (CCPs, trading venues and TRs)

AFM: The Commission is looking at grandfathering of CCPs, however this is only based on an interview so far, there are no details in writing yet on what that will mean. There are no guarantees that there will be grandfathering or a deal. We try to prepare ourselves for a worst-case scenario.

A CMCE member asked what the likelihood is of seeing something more concrete from the European Commission. The AFM responded that there is no legal certainty on grandfathering before there is clarity on the outcome of the negotiations on the transitional arrangements and that no details are likely as long as discussions are ongoing because it would undermine the negotiating position of Michel Barnier.

AFM: There is a possibility of licensing of 3rd country platforms in the Netherlands, given the fact that regulated markets cannot apply for a license under the UK temporary permissions regime. Firms should seek legal advice because the situation will differ for each firm.

A member of the advisory team asked whether transactions on UK exchanges are likely to be treated as OTC or as on-venue transactions and whether there are any plans for the recognition of UK exchanges. The **AMF** responded that they have no visibility on plans for the recognition of UK trading venues. The **AFM** agreed and said that transactions on UK venues will become OTC.

CMCE question: *With the UK's exit, derivatives traded on UK exchanges will become OTC Derivatives under EMIR, unless equivalence is granted to UK trading venues. Do you foresee any changes to the **EMIR clearing threshold(s)** to take account of this?*

AFM: No change of the thresholds is foreseen because they have been set for systemic relevance which does not change.

AMF: Agreed. The outcome of the negotiations on EMIR REFIT indicates that the clearing obligation will not be imposed across all asset classes for NFCs, but rather that they will only need to clear in asset classes where they breach the thresholds. This should not present a problem because there is no clearing obligation for commodities derivatives for the moment.

CMCE question: *Under Article 11(7) EMIR, **intragroup transactions** by non-financial counterparties (NFCs) belonging to the same group in different member states can benefit from an exemption from the requirement to exchange collateral for uncleared OTC derivative transactions. With the UK's exit, UK NFCs in the group will become third country NFCs, which means that an application would need to be made under Article 11(9) EMIR for new transactions. Do you foresee grandfathering of existing exemptions under Article 11(7), to avoid a burdensome re-application process by NFCs?*

AFM: Grandfathering is being discussed at ESMA and the Commission in the case of UK entities becoming third country. Re-application will be required but will not be very burdensome in the Netherlands. I do not see much reason why this would be a problem.

AMF: There is a need to discuss this at EU level in order to have a common approach, so either everyone asks for reapplication or then no one does. In the case of an IGT between two EU entities, there is only need for a notification.

A member of the advisory team commented that the exemption for **intragroup** transactions is dependent on an equivalence decision. It was also pointed out that in the case of a transaction between UK and EU entities of a group, the situation is more complex than between two EU entities. The **AFM** commented that indeed active go ahead would be needed by an EU NCA if the transaction is with a non-EU counterparty.

Access to EU markets by third country firms under MiFID II / MiFIR

AFM: A general EU regulation on 3rd country access is being discussed at ESMA and in the Commission but this will be more long-term and will not be made public before 29 March, so reliance will be on national rules for now.

CMCE had also sent a specific question on the **French PACTE draft bill** which establishes a requirement for third country investment firms which provide investment services in France, to set up a branch in French territory, if no EU equivalence decision has been adopted for the third country in question. CMCE had asked the AMF to clarify whether the intention is to include activities, such as dealing on own account, in the scope of the proposed branch requirement.

The **AMF** responded that in his view the branch requirement introduced in the PACTE law only applies to providing financial services to a client, and therefore does not include in scope third country firms dealing on own account on trading venues in France.

The Benchmark Regulation

CMCE question: *Given that many commodity benchmarks are operated by UK administrators who will become third country administrators, do you anticipate any review of third country benchmark provider provisions under the Benchmark Regulation? Could another transitional period be advisable?*

AFM: The revision of third-country equivalence is foreseen under BMR, but this will not happen before the European elections and Brexit. Discussions on a transitional period for LIBOR and EURIBOR is at an advanced stage, but no changes are foreseen for commodity benchmarks.

6. Brexit & commodity derivative markets – Session with the FCA

A list of indicative CMCE questions on issues related to Brexit had been sent to the FCA ahead of the meeting. The questions are referenced below for the sake of clarity.

The FCA was represented by Paul Willis, Technical Specialist, Commodities, Markets Policy, Strategy & Competition.

The FCA offered a clarification on a comment by the AFM on the fact that the UK **Temporary Permissions Regime** (TPR) applies to MTFs and OTFs, but not to Regulated Markets (RMs). Due to the way that the legislation is written, under UK law, MTFs and OTFs can be authorised, but RMs are recognized and recognition has a different legal status. There will be an expedited recognition process for EU RMs who want to offer products to UK after withdrawal. Dozens of overseas investment exchanges have applied.

CMCE question: *What have been the **guiding principles** behind the FCA/HMT's approach to the “onshoring” of EU regulation?*

FCA: FCA has been tasked with the on-shoring of EU legislation so that there are no policy changes and everything operates exactly as before on the day of exit. If certain provisions do not match, it is because current provisions will be inoperable on exit day, e.g. there will be no obligation for FCA to send position limit data to ESMA.

On the **REMIT carve out** the Statutory Instrument (SI) does not look like the EU one and the FCA is finalising an explanatory note on this. There will be no short-term change to the MiFID II / RAO definition of a financial instrument in the UK. The words may look different, but the intention is the same.

CMCE question: *Have there been any sticky issues on the commodity aspects?*

FCA: No, it has really been a clean lift and shift. With regard to the **ancillary activity test**, questions on the EU side are much harder than for the UK. The UK has the intention to leave the system as it is, as they do not wish for firms to have to recalculate. Once HM Treasury bought into the concept of using both EU and UK data, following some convincing by the FCA, the solution has been quite straightforward.

CMCE question: *We can see there has been a flurry of activity, with FCA's CPs 18/28 and 18/29 and with HMT's series of draft SIs (including the draft MiFID (Amendment) (EU Exit) Regulations, which will update the RAO). How much more is there still to do and what is the likely timing on the rest of the FCA's output?*

FCA: The FCA is going to publish a **second consultation paper** before Christmas on rule changes on most of the issues not set out in the first consultation paper. The division of issues included in the consultations follows the SIs published by HM Treasury, as the FCA cannot front run them. A 'sweep up' CP could be published in the new year on any remaining issues if necessary.

On SIs, HM Treasury has now published the majority of the material. Their counterparts in BEIS (Department for Business, Energy & Industrial Strategy) have a different approach and the SIs and technical notices are running behind the HM Treasury ones.

CMCE question: *We note that BTS on the **transparency regime** are awaited, for example.*

FCA: This is currently being finalized within HM Treasury and the SI is due in a few weeks, before the end of the year.

CMCE question: *How will “**systematic internaliser**” thresholds be set under the UK MiFID 2 regime?*

FCA: The same thresholds will apply when the UK leaves. The challenge is how we set them in the future, but this is a day 2 issue.

CMCE question: *What is the likely approach to the **onshoring of CRR/CRDIV** (we are interested mostly in the retention of the specialist commodity exemptions under art 493/498 and on the approach to the remuneration code regime)?*

FCA: On the capital requirements exemption for commodities, the same principle applies: the exemption will apply until 2020 also in the UK as per current EU law.

CMCE question: *What will be the approach to **onshoring EMIR**? We welcome the approach taken to provide for temporary recognition of EU CCPs.*

FCA: The FCA is working with HM Treasury to ensure continued access to EU infrastructure. For institutions that need to be onshored (such as the ESMA regulated TRs), a team has been set up to deal with authorisations, and they are working on a temporary permissions regime in case these cannot be done in advance.

CMCE question: *Treatment of **intra-group trades**, will there be a need to reapply? Will IGT exemptions already granted/notified be grandfathered over?*

FCA: With regard to exemptions, firms should not have to reapply for them. Where an exemption will expire under EU law, onshoring refers to EU law.

CMCE question: *It is likely the UK **notion of a “financial instrument” under MiFID2** will vary from the notion under EU MiFID. This could take effect over time (through divergence) or just because the definitions apply differently on day 1 e.g. with respect to commodity forwards on OTFs/MTFs and the treatment of “wholesale energy products” under para C6 of Annex I MiFID II. If so this will drive different reporting treatment under EMIR and – perhaps confusingly for some – different margining treatment. Is this under consideration? To what extent is FCA engaging with BEIS/Ofgem to address the interaction between financial regulation and REMIT – particularly around the product definitions?*

FCA: The definition will not change in the short term. FCA is engaging closely with other agencies on **REMIT** and holds regular meetings with BEIS and Ofgem.

CMCE question: *We note that FCA does not plan to reissue **ESMA Q&A level 3 guidance** as part of the “onshored” package of retained EU law. What, if any, comfort will be given to firms which rely on that guidance (where FCA is otherwise silent): (a) as at Exit Date, (b) as time goes by thereafter?*

FCA: Many have asked the FCA about whether the UK has to transpose Level 3 guidance from ESMA. The FCA clarified that it is guidance and not law, so it is not within the powers of the FCA to onshore it. This however does not stop the FCA from incorporating some of it into the FCA Handbook, but if so, it would take the form of formal guidance with a consultation process happening. FCA is nevertheless asking firms to regard L3 as still being in effect.

CMCE question: *On **RTS20/BTS20** is the intention to create a threshold calculation which operates seamlessly at the transition – so there ought to be no change (at least on the UK side)? Do the references in the draft BTS 20 to MiFID2 and terms defined under it (e.g., financial instruments, OTFs, MTFs) refer to those terms as they will apply immediately before Exit Day or to them as they apply on/after Exit Day?*

FCA: The intention is to keep the same methodology as under RTS 20 today. The FCA does not want firms to have to recalculate, there should not be any changes in firms' circumstances and therefore no need for data to be re-submitted. The ancillary activity notifications will continue to be done on an annual basis. The FCA will publish UK market size figures in early 2020 for late 2019. At that point, ESMA may have thought through different models and thresholds which the UK will consider. This is not a cliff edge issue.

A CMCE member asked what the FCA will do in the event that the EU changes its approach? The FCA responded that they will look at that in context of a political decision about equivalence and then perform an assessment of how closely the UK wants to follow the approach of the EU on the basis of the merits of the policy.

CMCE question: *What are your expectations as regards anticipated **information sharing** and co-operation between FCA and EU NCAs going forward after Brexit?*

FCA: The FCA has an objective of maintaining strong relationship with EU regulators but how that will materialise in terms of institutional arrangements is to be seen. FCA Chief Andrew Bailey is discussing the adoption of MoUs with EU member states.

CMCE question: *If the UK's policy post-Brexit is to maintain **equivalence** with the EU financial services regulatory regime, how would this affect FCA's approach to rule-making and the giving of guidance, especially individual guidance on matters of "retained EU law"?*

No decision has been taken yet as to how tightly the UK will tie itself to future EU legislation. This will be a political decision in due course.

A CMCE member asked about whether the FCA is at all concerned with or monitoring the possible **impact of Brexit on commodities trade on the physical side**, such as potential impacts on market integrity objectives and increased volatility for instance if the port of Dover is shut and getting gas in and out of the UK becomes more difficult. The FCA responded that they are of course concerned about such a possibility and are monitoring the situation, but ultimately these are not FCA issues. They will continue to keep a careful eye on the market. The FCA is also involved in pre-planning projects looking at physical commodities impacts of Brexit.

7. Panel on Disruptive Technology and Industry Trends

The following panellists debated disruptive technology and industry trends with the moderation of Samina Anwar, the CMCE Exco. Chair:

- Oliver Rees, Founder OR/innovation
- Mike Davis Head of Market Development, ICE Futures Europe
- Erik Norland, Senior Economist, CME Group
- Isabel Tang, Senior Innovation Manager for S&P Global Platts

O. Rees, O/R innovation, kicked off with a presentation providing examples of industry projects using artificial intelligence and technologies such as blockchain. He challenged the use of the term disruptive with regard to AI and noted that technology only becomes disruptive if applied with the right mindset. Many big corporations want to use blockchain and reap the benefits, but without the openness and transparency that underpins the technology and without changing their corporate mindset. This has led some projects into difficulties. One notable example of collaboration was between IBM and Maersk which aimed to transform supply chains using blockchain technology. They collaborated to create one platform to centralise data on the supply chain which brought about a lot of efficiencies. However, the reason that it could not be scaled was that only two firms had control of the data, so it was not popular with other companies. While the media and commentators have been vocal about the opportunities of blockchain, only 1% of enterprises have broad implementation according to research from January 2018.

A discussion with the panel followed, touching amongst others on the following:

- **M. Davis** commented that many people have a tendency to put the cart before the horse and start with making a product and who to sell it to and this was certainly the case with blockchain. There is huge potential for AI and technologies like blockchain to make life easier for governments and citizens, e.g. exchanging certificates such as birth certificates.
- **E. Norland** brought up the example of a firm called Orbital insight which looks at oil tanks and measures oil, coming up with oil inventories. This is of critical importance given that information on oil stocks is non-existent apart from the US which provides public data on oil inventories. There are many other initiatives such as the rise of the intelligent farm and measuring inventories to increase the amount of data available.
- **I. Tang** explained that they have done a lot of work on blockchain, IoT, cloud technology etc. They object to the use of the word 'disruptive' because they think of the role of these technologies rather being to make lives better and help solve problems. Their approach is to identify problems and then find the solutions to those problems. An example of a project that has been commercially employed is a ledger used in the Port of Fujairah in the UAE, where blockchain has been used to facilitate information exchange between the Port, the local authorities and S&P Global.
- **O. Rees** commented that the big strategic challenge facing many companies is how to transform the data the companies are sitting on into added value.

- **E. Norland** commented that the media and other actors fostered an expectation that Bitcoin and DLT would bring about instant payments, but the reality is that most of the market still exists in a T+2 environment. The reason for this is that such a transformation requires multiple stakeholders to be on board and there are no volunteers for first mover.
- The discussion touched on how AI could be used by governments. **O. Rees** mentioned that the Chinese government was investing heavily in these technologies and it seemed likely that China would develop models that the rest of the world may need to follow, given that it was developing much further in this area than European governments. It was also noted that regulators were increasingly getting interested in looking at what regulatory controls may be needed with respect to these technologies. The public sector may be able to foster means for the exchange of information and best practices.
- **M. Davis** commented that a lot of firms are concerned about exposing their data because sometimes that will bring a company to their knees and diminish their business case. Some have been successful because their business case does not depend on keeping data to themselves.
- **S. Anwar** commented that there are industry initiatives such as the consortium of firms around currency settlement which could be possibly used as an example of good collaboration. There was a discussion on how these technologies are and can be used in the commodities sector. It was noted that in the area of post-trade reporting for instance, the industry is ripe for these technologies to be used. **M. Davis** was sceptical about using AI in the pre-trade environment. A Member noted that they had recently concluded their first ever blockchain derivative transaction internally.
- **E. Norland** commented that we can expect that some types of trading will not become automated and will remain on the level of a human trader because some matters are a result of judgment, rather than data input. **O. Rees** noted that indeed where data depends on subjective assessment, it had been shown that the reliability of AI decreases.
- **M. Davis** added that the nature of some trades will make people uncomfortable should they be left to a machine. There will be more and more system type trading, but the market places are prone to change. Programs are not able to fathom and interact with all market forces and some expertise is really within traders, but the two will coexist.

These minutes were circulated to CMCE members on 27 November 2018 with the following attachments:

- Slide on the overview of CMCE activities in 2018;
- The presentation of the advisory team on the Outlook for 2019;
- The list of attendees.