

Minutes of Meeting on 10 May 2022 UTC



Members in Attendance

Bill Shields (Chairman), Thomas Carstensen (Arla Foods AMBA), Liam Fenton (StoneX Group Inc.), Kimberly Fisk (Nestrade S.A.), Jessica Lee Hiu Sun (Zhongshan Right On Trading CO. LTD), Nick Morris (SGX Limited), Bruce Turner (Fonterra Co-operative Group Limited)

Operational Attendees

Eric Hansen (Market Administrator, GlobalDairyTrade Holdings Limited)
Brad Miller (Trading Manager, CRA International Inc)

Note: Under Clause 4.4 of the GDT Events Oversight Board Charter, GDT and CRA are not formal members of the Oversight Board. They are present to provide specific comment or information regarding their respective functions and roles in respect of the auction platform.

Secretary

Eric Hansen (GDT)

Meeting opened at 11:05pm NZT

Chairman Bill Shields opened the meeting by welcoming new members Jessica Lee Hiu Sun and Liam Fenton to the first full meeting of the new term of the Oversight Board, and also thanking members for their unanimous approval of his reappointment as chair.

Chairman noted that the agenda and papers had been circulated in advance of the meeting and would be taken as read.

Item 1: Apologies and Agenda

Apologies were received from Patricia Smith (DairyAmerica Inc) and Rushikesh Ved (Majan Food Industries LLC).

Item 2: Minutes and Matters Arising from previous meeting

Chairman noted that the Minutes of the previous meeting had been signed as final and published on the GDT website.

Item 3a: Risk Report

Chairman referred members to the paper "Risk Report" and highlighted the two items where GDT was seeking endorsement of the Oversight Board.

Members sought clarification on the distinction between GDT's backend systems, where a higher risk rating had been assessed, versus the trading platform which was upgraded recently and is not subject to the higher risk rating.

Resolved:

- NOTED that the risk assessment is based on current status and does not take into account changes that may result from GDT's prospective new ownership structure;
- NOTED that all GDT services, whether managed directly by GDT or through service providers, continued to operate without disruption or significant stress in the face of the Covid-19 pandemic;
- ENDORSED GDT's assessment that no new High inherent risks have arisen since the previous Risk Report in April 2021;

- ENDORSED GDT's assessment that the residual risk of IT systems has increased from Medium to Significant;
- NOTED that GDT will continue to monitor the adequacy of existing mitigation controls and investigate opportunities to further reduce these risks.

Item 3b: More Frequent Price Discovery

Chairman referred members to the paper "More Frequent Price Discovery" and noted the recommendation that the proposed rule changes to incorporate the new GDT Pulse service be approved.

Members sought clarification that the ability for a registered bidder to participate in GDT Pulse requires that they be given eligibility by the seller, being the same process that applies to GDT Events. A correction to Annex 1 of the paper was noted whereby the (annual) minimum offer quantity for the MFPD trial should be stated as 12,000 MT.

Members referred to the marked-up changes to the GDT Trading Event Rules in Annex 2 of the paper, where Eric Hansen noted that minor changes only had been made to the proposed rule changes since they were previously reviewed by the Oversight Board in November 2021.

Members referred to the results of the public consultation conducted in March and April, where all submissions received either expressed strong support for the development of GDT Pulse or sought clarifications with no further comment.

Members discussed a question raised in a submission of whether any safeguards will be introduced to ensure that the GDT Events auction, and by extension the NZX-SGX dairy futures, are a fair representation of the true market price.

Bruce Turner noted that the seller has a strong incentive to ensure GDT Events prices remain credible due both to its need to utilise well-functioning dairy derivatives markets as well as the role that GDT Events prices play in setting their farmgate milk price and as reference prices in a wide range of bilateral contracts. WMP Regular Contract Period 2 was chosen as the largest volume product on GDT with the greatest chance of success and least impact on GDT Events in terms of the relative volume that would be traded on GDT Pulse.

The ability for participants to minimise basis risk between the physical and financial markets under various scenarios was discussed, and Nick Morris noted that there is no intention for the GDT Pulse prices to feed into the NZX-SGX settlement price calculations during the trial. It was also indicated that no time frame has been set for considering the inclusion of GDT Pulse prices in the settlement price calculations.

Members noted that initial data on the performance of GDT Pulse will be available for the next Oversight Board meeting but that a clearer assessment of performance against the success criteria would need to await until at least the first meeting of the Board in 2023. It was acknowledged that whether the GDT Pulse service would continue beyond the trial period depends on its performance during the 6 – 12 month trial period.

Resolved:

- APPROVED the proposed changes to the GDT Trading Event Rules as marked-up in Annex 2, with the revised rules to take effect no later than five days prior to the first GDT Pulse auction.

Actions:

- GDT to provide initial performance data for GDT Pulse to the next Oversight Board meeting

Item 4: Papers for noting

Chairman referred members to the three papers "Director's Report", "Operations Report" and "Compliance Report", all listed for noting.

On the Directors Report, Members noted the plan to discuss the GDT strategy at the next Oversight Board meeting to be held following implementation of the new ownership structure, and that an update to the 2016 bidder survey may be considered in future.

On the Operations Report, Eric Hansen and Brad Miller summarised the new performance data available to GDT and CRA as a result of the trading platform upgrade to monitor operational and user experience.

On the Compliance Report, the chairman commented that the current compliance framework had been in place since 2016 and that it may be worth reviewing in the next one or two meetings whether it remains fit for purpose in

the context of the GDT strategy. Members agreed that a review to ensure an appropriate balance between capturing the fundamental risks while keeping compliance at a practical level would make sense.

Resolved:

- NOTED the contents of the Director's Report;
- NOTED GDT's judgement that GDT Events continues to provide a good basis for price outcomes to reflect the balancing of demand and supply conditions;
- NOTED that GDT has notified its intention to amend the Confidentiality Deed to accommodate the trial phase of GDT Pulse.

Actions:

- GDT to prepare a paper on strategy for the next Oversight Board meeting
- GDT to prepare a review of compliance framework for either next Oversight Board meeting or the following meeting

Item 5: General Business

Members supported the plan to hold the next meeting in Singapore around the NZX-SGX Global Dairy Seminar (timing announcement forthcoming), and requested that timing of the Oversight Board meeting be booked into calendars as soon as possible.

Meeting concluded at 12:05am NZT

Signed as True & Correct



Bill Shields
Chairperson

24 May 2022