

Minutes of GDT Events Oversight Board Meeting

Tuesday 23 October 2018, Paris



Members in Attendance

Bill Shields (Chairman), Hafid Brahma (Falait SPA), Nigel Brunel (OM Financial Limited), Thomas Carstensen (Arla Foods AMBA, from 10:18am), Robert Chesler (INTL FCStone Inc.), Vince Curtin (Burt Lewis Ingredients LLC), Kishore Jhala (Gujarat Co-operative Milk Marketing Federation Limited), Nick Morris (NZX Limited), Joshua Sigmund (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, but 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 10:07am

Chairman Bill Shields opened the meeting and welcomed Hafid Brahma to his first meeting. He noted that the Agenda and all relevant papers had been circulated in advance of the meeting and would be taken as read.

Item 1: Apologies and Anti-trust Briefing

Apologies were received from Yong Zhang (Inner Mongolia Mengniu Dairy (Group) Co. Limited).

Members noted the summary of anti-trust obligations attached to the Agenda.

Item 2: Minutes and Matters Arising from previous meeting

Members agreed that the Minutes of the previous meeting be signed by the chairman as final.

On Matters Arising relating to contingency plans for vendor insolvency (item 2), Eric Hansen commented that GDT and CRA are working on arrangements by which GDT personnel will receive training to act in backup capacity as operator of Trading Events. This will be reported on further at the May meeting.

Items 3 and 4: Director's Report and Operations Report

Chairman referred members to the papers "Director's Report" and "Operations Report."

Matters discussed included:

- Criteria for termination of a participant
 - Members expressed a range of views of the extent to which consistent failure to achieve published prices on a product detracts from user experience, brand image and overall credibility of GDT Events;
 - Members also noted that there may be differences between an aggregator/broker and dairy producer

and requested GDT to consider and report back on this;

- Members identified that an alternative to terminating a seller participant in these circumstances, could be to charge minimum annual seller fee which would have GDT fees on sales credited against it, so that an unsuccessful seller can then decide whether to pay the fee or exit voluntarily from the platform. GDT to report back on this at the next meeting;
- Reduced frequency of rollbacks – Eric Hansen and Brad Miller commented on efforts that successfully resulted in significantly reduced frequency of rollbacks exceeding 1% and particularly 3%;

Resolved:

- NOTED the contents of the Directors' Report and Operations Report.

Item 5: Compliance Report

Chairman referred members to the paper "Compliance Report".

Matters discussed included:

- Confidentiality Deed Compliance Review – members requested confirmation from GDT of the time limits applied to the retention of confidential information per para. 26d;
- Price Credibility Review – Chairman Bill Shields commented that the compliance calendar does not specify that a full price credibility review must be undertaken, only that consideration must be given as to whether a review is warranted;
- NZX/GDT Information Sharing Protocol
 - Eric Hansen and Nicholas Morris provided introductory comments on the background and motivation for this initiative;
 - Members noted that the information requests discussed in para. 28 may also include bidding data from previous Trading Events;
 - Discussion centred around the need for GDT to remain responsible for the surveillance and compliance of the GDT market (for example, as occurred when GDT investigated unusual prices for SMP UHT in TE207), while recognising that NZX Regulation has responsibilities under the Financial Markets Conduct Act, and that the agreement needs to provide for appropriate reciprocal rights for GDT;
 - Members discussed the risk that the public consultation process could generate concern by bidders, and that communications will need to be developed carefully and presented as a joint NZX/GDT initiative.

Resolved:

- NOTED GDT has submitted findings from the external reviews of anti-trust risk process and confidentiality deed compliance;
- NOTED the Market Surveillance Report and Conflict of Interest Statements provided by GDT;
- ENDORSED GDT's assessment that a formal price credibility review is not warranted given the absence of significant change in the number of bidders and total market volumes of the relevant products;
- ENDORSED the principle of an information sharing agreement between GDT and NZX for the purpose of ensuring effective and efficient surveillance and compliance activity;

Item 6: Platform Upgrade

Chairman referred members to the covering paper “Platform Upgrade”.

Matters discussed included:

- The expected timing of launch and extensive nature of the change management and communications plan
- The extent to which the new design operates in an App-like manner while not actually being an App.

Resolved:

- NOTED the contents of the Platform Upgrade paper.

Item 7: Charter Review

Chairman referred members to the covering paper “Charter Review” and opened for questions and discussion.

Matters discussed included:

- Continuity & independence – Members discussed the need to achieve greater continuity of members and the benefits of introducing new perspectives through independent members. Members also noted the new approach could result in the voting threshold requiring one member from member group being met through the vote of the independent members appointed under Board discretion, though this is balanced by the requirement to achieve a two-thirds majority;
- Eligibility guidelines for independent members – Members agreed that the guidelines for who could serve as an independent member should be fairly wide and avoid hard constraints, putting the onus on the board members to exercise care in selecting the independent members;
- Allowances & reimbursements – Members commented that a cost recovery approach for reimbursing travel costs can be complicated, suggesting consideration of a flat allowance

Resolved:

- ENDORSED the principles and approach outlined in the Charter Review.

Item 7: General Business

Members agreed that the next meeting should be at ADPI Chicago on Wednesday 8 May 2019.

Meeting concluded at 12:08pm Paris

Signed as True & Correct

Bill Shields
Chairperson

