

## Members in Attendance

Bill Shields (Chairman), Nigel Brunel (OM Financial Limited, now Jarden Securities Limited), Thomas Carstensen (Arla Foods AMBA), Robert Chesler (INTL FCStone Inc.), Gilbert Chow (Inner Mongolia Mengniu Dairy (Group) Co. Limited), Vince Curtin (Burt Lewis Ingredients LLC), Kimberly Fisk (Nestrade S.A.), Kishore Jhala (Gujarat Co-operative Milk Marketing Federation Limited), Nick Morris (NZX 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

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Eric Hansen (GDT)

## Meeting opened at 8:03am Auckland

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Chairman Bill Shields opened the meeting and noted that the Agenda and all relevant papers had been circulated in advance of the meeting and would be taken as read. Chairman also noted the Guiding Principles and anti-trust compliance requirements attached to the Agenda.

Noted that Brad Miller is scheduled to join the meeting after discussion completed on the Risk Report.

## Item 1: Apologies and Agenda

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No apologies were received.

## Item 2: Minutes and Matters Arising from previous meeting

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

Chairman noted that all Matters Arising had been completed.

## Item 3a: Risk Report

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Chairman referred members to the paper "Risk Report" which was taken as read.

Members discussed the interpretation of inherent risk and the risk rating categories, aspects of the Partner Failure risk relating to what triggered the review of rating, the effectiveness of escrow services as a mitigating control, and noted that the vendor insolvency training plan cannot transfer the vendor's full accumulated experience to GDT.

Resolved:

- 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;

- NOTED the completion of a vendor insolvency contingency plan for the GDT Events Trading Manager role;
- ENDORSED GDT's assessment that no new High inherent risks have arisen since the previous Risk Report in April 2020;
- ENDORSED GDT's assessment that the inherent risk of Partner Failure has reduced from High to Significant;
- ENDORSED GDT's assessment that the residual risk of Partner Failure has reduced from Significant to Medium;
- ENDORSED GDT's view that execution of the Trading Manager insolvency contingency plan is not warranted;
- NOTED that GDT will continue to monitor the adequacy of existing mitigation controls and investigate opportunities to further reduce these risks.

Brad Miller joined the meeting.

### **Item 3b: Future Audits**

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Chairman referred members to the paper "Future Audits" which was taken as read.

Members discussed how the proposed frequency of audits compares with other entities with a similar role and acknowledged that such comparisons are difficult given entities differ by size and scope of responsibilities.

Resolved:

- NOTED that GDT will propose a number of changes to the GDT Governance Principles and associated Management Comments for consideration at the Oversight Board's end of year meeting;
- ENDORSED GDT's proposal to remove from the schedule of compliance reports the need for GDT to undertake an annual self-assessment of its compliance with the Governance Principles;
- ENDORSED GDT's proposal to increase the frequency of the external audit of GDT's compliance with the Governance Principles from triennial to biennial;
- ENDORSED GDT's proposal to widen the selection of potential auditors to include second tier vendors.

*Action: GDT to propose changes to the GDT Governance Principles and associated Management Comments.*

### **Item 4a: Director's Report and Item 4c Operations Report**

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Chairman referred members to the papers "Director's Report" and "Operations Report" which would be taken as read and discussed together.

Members discussed the desirability of continuing to seek new sellers, particularly from the US.

Resolved:

- NOTED the contents of the Directors Report;
- NOTED that the key performance indicators show a stable environment over the past two quarters;
- 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.

### **Item 4b: Platform Refresh**

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Chairman referred members to the paper "Platform Refresh" which was taken as read.

Eric Hansen and Brad Miller commented on the continued successful progress through the test plan for this project since the paper was prepared.

Resolved:

- NOTED the contents of the Platform Refresh paper.

Action: GDT to offer demo of new platform to interested members using the simulated Trading Event training system

#### **Item 4d: Compliance Report**

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Chairman referred members to the paper "Compliance Report" which was taken as read.

Chairman drew members attention to the compliance reporting schedule, the notifications checklist, and comment on the NZX/GDT Information Sharing Agreement. Nick Morris advised that the recently announced NZX/SGX arrangement would likely result in the Information Sharing Agreement being novated to SGX at the appropriate time.

Resolved:

- NOTED that no reports were required to be submitted for the meeting

Jared McConachie, GDT GM Market Design & Performance, joined the meeting.

#### **Item 5: General Business**

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##### **NZX/SGX arrangement**

Nick Morris briefed members on the motivation and market benefits of the new NZX/SGX arrangement and approximate timeline for implementation.

##### **OM Financial**

Nigel Brunel advised that the buyout of OM Financial by Jarden Securities Limited, a New Zealand-based investment and advisory group, had been completed on 7 March with OM Financial now ceasing to exist.

##### **Next Meeting**

Members discussed the possibility of the next meeting being held in Singapore, possibly with timing aligned to a NZX/SGX celebration of their new arrangement, recognising that this will depend on government and company travel policies as the Covid-19 vaccine is rolled out.

Members agreed that the next meeting should be held towards the end of October or first half of November.

##### **Presentation on possible liquidity initiative**

Chairman referred members to the presentation slides circulated earlier in the week and taken as read.

Jared McConachie provided a brief presentation on the key points in the paper.

Members sought clarification on several points and discussed the benefit of closing the gap between the twice-monthly auctions and potential to achieve enhance financial market liquidity and bring closer alignment of the physical and financial prices.

Members also discussed the potential impact on NZX's Daily Settlement Price, with Nick Morris confirming that additional price points could potentially feed into the assessment process but that no change in the Final Settlement Price calculation would likely occur in the short term following launch of the more frequent price discovery auctions.

Resolved:

- ENDORSED that the Oversight Board supports the further development of the More Frequent Price Discovery initiative;
- ENDORSED GDT's proposal to make the following announcement on its public website:

The GDT Events Oversight Board monitors GDT's compliance with its Governance Principles, approves any proposed rule changes, and contributes to the development of GDT. At its latest meeting held online on 20 April 2021, the Oversight Board reviewed the annual assessment of key risks and noted that operations of GDT services had continued to perform without disruption in the face of Covid-19. The Oversight Board also discussed a possible future initiative to increase the frequency of price discovery on GDT Events and supported further investigation of the merits of running weekly and eventually daily auctions for a more limited range of offerings on the GDT Events platform.

*Action: Once completed, the business case for the More Frequent Price Discovery initiative (with confidential and commercially sensitive information removed) to be provided to the Oversight Board for review*

**Meeting concluded at 9:20am Auckland**

Signed as True & Correct

A handwritten signature in black ink, appearing to read 'Bill Shields', written in a cursive style.

Bill Shields  
Chairperson

6 May 2021