

Minutes of GDT Events Oversight Board Meeting

Wednesday 8 November 2017, Singapore



Members in Attendance

Member	Representative
Chairman	Bill Shields
Arla Foods AMBA	Thomas Carstensen
DairyAmerica, Inc.	Blair Cole
Fonterra Co-operative Group Limited	Josh Sigmund
Fromageres Bel SA	Didier Messein
Gloria SA	Roberto Bustamante
Gujarat Co-operative Milk Marketing Federation	Kishore Jhala
INTL FCStone Inc	Rob Chesler
NZX Limited	Nick Morris
Olam International Ltd	Naval Sabri
OM Financial Limited	Nigel Brunel
Operational Attendees	
CRA International Inc.	Brad Miller
GlobalDairyTrade Holdings Limited	Eric Hansen

Note: Under Rule 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 9:00am

Chairman Bill Shields opened the meeting and welcomed members.

Item 1: Apologies and Anti-trust Briefing

Apologies were received from The Kuwait Danish Dairy Company KCSC.

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

Item 2: Minutes and Matters Arising from previous meeting

Chairman noted the minutes from the previous meeting had been signed off as final and provided to the Oversight Board Members.

Chairman noted the report on matters arising from the previous meeting, in particular that the rule change on publication of winning prices is scheduled to come into effect for Trading Event 200 on 21 November.

Item 3: Director's Report

Chairman referred members to the paper "Director's Report", which was circulated in advance of the meeting, taken as read and invited Eric Hansen to highlight key points.

Matters discussed included:

- European initiative – noted the benefits of GDT partnering with a European-domiciled entity with good relationships with key industry participants. Various aspects of platform design were also discussed;
- The current development plan does not address all aspects of customer feedback and is intended to take GDT part way to achieving its business goals, and accepted that further initiatives are likely to be required;
- GDT Marketplace – noted the updated metrics as at 7 November provided by Eric Hansen, and discussed that the products listed on this platform generally are not exactly the same as the generic specifications sold on GDT Events (noting, however, that there is no restriction preventing identical products being sold on both platforms);
- Hedged bidders – members discussed the types of behaviour that could become an issue and noted that speculative behaviour with intent to manipulate market prices is of greater concern than hedging behaviour. Noted that the current risk level is low and that ongoing monitoring by GDT and key broker and clearing members would be likely to flag up issues.

Resolved:

- NOTED the strategy and development plan presented for GDT Events;
- NOTED that current development plan is not designed to resolve all the identified concerns and that further initiatives will need to be discussed at a future date;
- NOTED that, while two or more bidders hypothetically could distort a GDT Events price outcome, GDT's preliminary assessment indicates no cause for concern at this time.

Item 4: Platform Upgrade

Chairman referred members to the paper "Platform Upgrade", which was circulated in advance of the meeting, taken as read and opened for questions and discussion.

Members noted the paper with no matters raised for discussion.

Resolved:

- NOTED the plans presented for the GDT Events platform upgrade, particularly the July 2018 date for launch of GDT Release 1;
- NOTED that major functional changes such as changes to auction design are part of GDT Release 2 and that these changes will be discussed at the subsequent Workshop session.

Item 5: Operations Report

Chairman referred members to the paper "Operations Report" which was circulated in advance of the meeting, taken as read and opened for questions and discussion.

No matters were raised for discussion.

Resolved:

- NOTED that the majority of performance indicators have been reasonably stable over the past two quarters;
- NOTED that the launch of Polish Dairy and the US Lactose Pool with three confirmed sellers will have a significant positive impact on supply-side indicators from December onward.

Item 6: Compliance Reports

Chairman referred members to the covering paper "Compliance Reports" and following reports, which were circulated in advance of the meeting, taken as read and opened for questions and discussion.

On the covering paper, members discussed item 1 of the reporting calendar and agreed that annual self-

assessment would be satisfactory (rather than six-monthly self-assessment as suggested), and that the Market Surveillance Report adequately covered the key areas.

Resolved:

- NOTED the Market Surveillance Report;
- NOTED the Conflict of Interest statement provided by the Director Global Dairy Trade and GDT's confirmation that it has received conflict of interest statements from the Trading Manager;
- NOTED the Report by Russell McVeagh on its review of GDT's compliance with internal processes for mitigating anti-trust risk;
- NOTED the Engagement Letter from KPMG for its forthcoming audit of GDT's compliance with the Governance Principles.

On the Market Surveillance Report, members Resolved:

- NOTED that the 2017 surveillance assessment has raised no material concerns regarding participant behaviour;
- NOTED the planned and potential improvements to the communication and monitoring components of GDT's market surveillance regime, including further work on cross-market behaviour.

Item 7: Appointment of Members

Chairman referred members to the paper "Appointment of Members" which was circulated in advance of the meeting, taken as read and opened for questions and discussion.

Experience from the current reappointment of members of the GDT Events Oversight Board was discussed and the Board supported the intention to begin a review of its Charter in 2018 to ensure that it can most effectively achieve its purposes.

Resolved:

- NOTED that the Charter provides for up to four seller and bidder appointments and up to three financial group appointments to the Oversight Board, but does not require that all seats be filled;
- NOTED the nine members selected for appointment to the Oversight Board for the new term beginning 1 January 2018;
- NOTED that this leaves two vacancies under the Charter compared to the current term, with the possibility that these seats may be filled part way through the next term;
- **APPROVED the resolution to amend Clause 2.5 of the Charter to increase the membership term to three years.**

Item 7: General Business

Members discussed the timing of the next meeting and agreed that the currently scheduled meeting at Gulfoods Dubai Trade Show in February 2018 would be too soon to allow important issues to be fully developed.

Members agreed that a more suitable venue would be either the ADPI Conference in Chicago on 29 – 31 April or SIAL China Exhibition in Shanghai on 16 – 18 May. Eric Hansen to check the preferences of the new members joining from 1 January and advise the Board accordingly.

Finally, the Chairman thanked the retiring members, Blair Cole of Dairy Amercia, Didier Messein of Fromageres Bel SA, Roberto Bustamante of Gloria SA, and Naval Sabri of Olam International Inc. for their valuable contributions during the current term.

Meeting concluded at 10:30 am Singapore

Signed as True & Correct

Bill Shields
Chairperson