Introduction to Editorial Advisory Board Commentaries

Hilary Till
Solich Scholar, J.P. Morgan Center for Commodities, University of Colorado Denver Business School; and Contributing Editor, *Global Commodities Applied Research Digest*

In late 2015, the J.P. Morgan Center for Commodities (JPMCC) at the University of Colorado Denver Business School established an Editorial Advisory Board for the JPMCC's *Global Commodities Applied Research Digest (GCARD)*. This international advisory board consists of 19 experts from across all commodity segments. Nine members have Ph.D.'s while five have CFAs. In addition, five of the members have policymaking backgrounds.

In summary, the board is composed of academics, researchers, educators, policy advisors, and practitioners, all of whom have an interest in disseminating thoughtful research on commodities to a wider audience. Board members provide the Contributing Editor with recommendations on articles that would be of particular relevance to commodity-industry participants. Members will also, from time-to-time, contribute articles to the *GCARD*.

In this issue's "Editorial Advisory Board Commentaries" section of the *GCARD*, we are pleased to include articles from two accomplished members of the board. This issue's authors are (1) Jan-Hein Jesse, Founder, JOSCO Energy Finance and Strategy Consultancy, Amsterdam, and an international expert for the International Energy Agency, Paris; and (2) Richard Heckinger, Associate Editor, *Journal of Financial Market Infrastructures*, and a member of the Working Group on Financial Markets for the Federal Reserve Bank of Chicago.

Jan-Hein Jesse's article provides an extensive analysis of the complex role that international oil benchmarks play in oil price discovery across the globe. Richard Heckinger's paper, which was written in December 2015, clarifies what is known thus far about the astonishing collapse (in October 2011) of the futures broker, MF Global.

The following summarizes both papers, which are highly relevant for international crude oil trading and ongoing public policy debates, respectively.

"Evolving Benchmarks in the New Oil Order" by Jan-Hein Jesse, Editorial Advisory Board Member, *GCARD*

This article describes the incumbent and new-entrant crude oil benchmarks at a time the oil markets are going through a period of great turbulence. The daily prices of hundreds of crude oil streams around the world are determined by the price discovery process that takes place in the physical and futures markets of West Texas Intermediate (WTI), Brent and Dubai, the three key crude oil benchmarks. Global, regional and domestic industry as well as market dynamics constantly challenge these price markers and give rise to the possible establishment of a new price marker in Asia. Each marker is characterized by its own history and cultural setting. Competition among them is fierce. At the same time, they are highly interconnected. The article starts with an introduction about the current state of the industry and market, including a description of benchmarks and the price discovery process in general. The article aims to provide insights in how physical and paper markets function. The next sections describe each benchmark – WTI, Brent, and Dubai in more detail. The article ends with the pending introduction of Shanghai crude oil futures contracts, which may create a new benchmark for Asian markets.

"MF Global Five Years On" By Richard Heckinger, Editorial Advisory Board Member, *GCARD*

The liquidation and settlement of claims stemming from the collapse in October 2011 of the futures commission merchant and broker–dealer entities of MF Global (MFG) Group took nearly four years to settle. The key trustees, and other liquidation authorities, were able to recover sufficient assets of MFG to pay substantially all claims by late 2015. MFG's collapse was characterized by its default to its counterparties and customers due to its failure to maintain sufficient liquidity in order to sustain its investment strategies and agency businesses. Its key investment strategy was leveraged proprietary trading of high yield sovereign debt securities with refinancing of the positions through repurchase agreements (repos) and securities lending. Various investigative initiatives have revealed evidence that customer monies were probably used at times to fund the proprietary trading of the firm in violation of law and regulation in certain jurisdictions and contrary to international principles. This paper examines the conflicting business objectives of MFG overall, its proprietary trading strategies and its eventual collapse, with some lessons learned.