

**Treasury Markets Association**  
**Benchmark Cessation and Transition Policy**

Version 1: Nov 2017

Version 2: revised on July 2020

## **Introduction**

The Treasury Markets Association (TMA) is the administrator of Hong Kong's major interest rate and foreign exchange (FX) benchmarks<sup>1</sup>. This Benchmark Cessation and Transition Policy sets out TMA policies and procedures in relation to steps that TMA would take in the event of discontinuation of a currency or tenor of a benchmark administered by TMA.

2. The cessation of a benchmark may be triggered in a number of ways, such as (i) action by a regulatory body, (ii) insufficient demand for a benchmark to warrant its continuation, (iii) inability on the part of the benchmark administrator to continue to produce the benchmark (e.g. inability to source appropriate data), and (iv) change in the underlying interest that the benchmark seeks to represent (e.g. market structure and product definition change).

3. To address the possibility of the cessation of a benchmark, TMA will consider the following factors, which will be discussed in more details:

- Possible alternative benchmark;
- Possible transitional measures;
- Timing of cessation and advance notice; and
- Stakeholder engagement.

## **Alternative benchmark**

4. The suitability of any alternative benchmark would depend on the particular needs and circumstances of benchmark users. Criteria to guide

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<sup>1</sup> The TMA is the administrator of HKD and CNH HIBOR and HKD Overnight Index Average (HONIA) (i.e. the interest rate benchmarks), as well as the TMA USD/HKD and USD/CNY(HK) Spot Rates (i.e. the FX benchmarks).

the selection of an alternative include matching to the extent practicable the existing benchmark's characteristics on credit quality, maturities and the underlying interest that the benchmark seeks to measure.

5. In order to fulfil Hong Kong's obligation as a Financial Stability Board ("FSB") member, the TMA had set up a Working Group on Alternative Reference Rates ("WGARR") in 2019 to engage relevant stakeholders in identifying an appropriate alternative reference rate ("ARR") for HIBOR. After reviewing the characteristics of the ARRs for the LIBOR currencies and taking into account the FSB's guiding principles, the WGARR identified HONIA as the ARR for HIBOR. The WGARR also proposed some technical refinements to HONIA with a view to enhancing its robustness and representativeness. For HONIA and other TMA-administrated benchmarks, TMA will conduct further study and engage relevant stakeholders in determining possible alternative benchmarks, taking into account the considerations set out in paragraph 4.

6. In the event of the cessation of a benchmark, TMA would seek as far as possible to accommodate migration to an alternative benchmark, or any other transition plan, as requested by stakeholders. TMA would consider the pros and cons of such request in the context of the overall arrangement. TMA would also seek as far as possible to maintain the benchmark for a definite time period to permit an orderly transition of outstanding contracts referencing the benchmark.

### **Timing of cessation**

7. There are outstanding contracts referencing TMA benchmarks, and immediate cessation of benchmarks could have disruptive consequences. In case a benchmark has to be discontinued, the TMA would seek as far as possible to continue to produce the benchmark in order to permit an orderly transition, including for counterparties of outstanding contracts to come up with an alternative arrangement. The timing of cessation will take into consideration the following factors:

- Urgency of ceasing the benchmark;
- Advance notice that should be given to stakeholders;
- Migration to any alternative benchmark;

- Changes to IT systems and processes;
- Expiry dates of outstanding contracts referencing the benchmark; and
- Regulatory, legal and other requirements.

### **Consulting and engaging with stakeholders**

8. Since the cessation of benchmark constitutes a material change, TMA will consult stakeholders according to TMA consultation policy. Relevant consultation documents will be published on TMA website. In particular, TMA would engage closely with the following stakeholders:

- Hong Kong Monetary Authority (HKMA);
- Benchmark users;
- Benchmark contributors;
- Benchmark calculation agents;
- Benchmark redistributors; and
- TMA institutional members.

### **Update and publication**

9. The Surveillance and Governance Committee (SGC) shall review and update this policy from time to time. The most updated policy will be made available to stakeholders, including the HKMA, by publication on the TMA website.

**Treasury Markets Association**  
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