

Treasury Markets Association
Code of Conduct for TMA financial benchmarks
based on transactions

Purpose

This Code sets out the standards that the Treasury Markets Association (TMA) expects Approved Money Brokers (AMBs) to observe in respect of providing “readily available” Data¹ for the determination of TMA benchmarks that are based on transactions. By setting out the standards, the Code is intended to:

- a) ensure the quality and integrity of any Data provided by the AMBs for the determination of benchmarks;
- b) outline guidance to AMBs in the process of compiling and providing their “readily available” Data (the “Data Provision Process”);
- c) promote discipline and internal control of the AMBs in their Data Provision Process; and
- d) increase transparency in the determination of benchmarks.

Application

2. This Code applies to those AMBs providing Data for the determination of benchmarks that are based on transactions, e.g. HKD Overnight Index Average (HONIA), USD/HKD Spot Rate and USD/CNY(HK) Spot Rate (the “Benchmark”).²

3. It is recommended that AMBs providing Data to the Benchmark should take active steps to ensure their arrangements follow the principles of the Code on an on-going basis.

4. The recommendations set out in this Code are supplementary to and do not supplant relevant legislation, codes, guidelines or rules

¹ Defined as any information provided to the TMA or any calculating agent appointed by the TMA for the purpose of determining the respective benchmarks. According to [EU Benchmark Regulation](#), “When a benchmark is determined on the basis of readily available data, the source of such data should not be considered to be a contributor.”

² The TMA may specify other benchmarks to which this Code may apply. Matters relating to the HIBOR are addressed in Supervisory Policy Manual CG-7 of the Hong Kong Monetary Authority.

applicable to an AMB.

TMA as the administrator of the Benchmark

5. The TMA is the administrator of the Benchmark. According to the Principles for Financial Benchmarks issued by the International Organization of Securities Commissions (IOSCO), “[t]he Administrator should develop guidelines for submitters, which should be available to any Relevant Authorities, if any, and published or made available to Stakeholders”. As a good practice, the TMA has developed this Code for the transaction-based Benchmark.

Communications and training

6. AMBs should ensure their staff involved in the Data Provision Process are given a copy of this Code, and are asked to study it before they start performing their duties. Staff should also be given sufficient training and guidance on (i) the Data Provision Process; (ii) this Code; and (iii) other applicable standards for their roles.

Guidance on the Data Provision Process

Organisational and governance arrangements

8. AMBs should have adequate and effective organisational and governance arrangements in respect of the Data Provision Process. At a minimum, the AMB should designate a staff of sufficient seniority, expertise and relevance to oversee relevant matters. That designated staff should be responsible for ensuring the quality and integrity of the Data, as well as staffs participating in the Data Provision Process have adequate rankings, skills, knowledge and expertise for the responsibilities assigned and understand that they need to comply with relevant legislation, codes, guidelines or rules applicable to the firm.

9. In particular, the designated staff should ensure that the AMB implements the following arrangements:

- a) Providing “readily available” data in an effective, consistent and timely manner (see further in paragraphs 10 to 13);
- b) on the operation of a Preparer-Approver Mechanism (see further in paragraph 14);
- c) to address possible conflicts of interest, especially if the AMB is also a user of the Benchmark (see further in

- paragraphs 15 and 16);
- d) on retention of records (see further in paragraphs 17 to 18);
- e) on handling complaints and whistleblower reports (see further in paragraphs 19 and 20); and
- f) on regular independent review for the Data Provision Process (see further in paragraphs 21 to 23).

Providing “readily available” data in an effective, consistent and timely manner

10. AMBs should develop comprehensive, clear and documented procedures regarding the firm’s Data Provision Process and the Data to be provided, such that staff participating in the Data Provision Process can follow consistently. AMBs should also implement and maintain systems with appropriate resiliency to support the Data Provision Process.

11. Owing to the high frequency and time critical nature of the Data Provision Process, AMBs should automate the process as far as possible.

12. It is also crucial that the Data compiled during the Data Provision Process consistently and explicitly follow the definition of the Benchmark. Data that should be provided for the determination of Benchmark are set out at the **Annex**.

13. The abovementioned arrangements should be reviewed and tested periodically.

Preparer-Approver Mechanism

14. If the Data is not automatically generated/captured under straight-through process or may be modified for the purpose of Data Provision Process, AMBs should put in place a Preparer-Approver Mechanism, i.e. designate separate staff to compile the Data (the “Preparer”) and to verify and sign-off the “readily available” Data (the “Approver”). AMBs should ensure the Preparer possesses sufficient experience in relevant functions, and that the Approver possesses sufficient expertise and seniority to verify and sign-off whether the Data compiled by the Preparer are in order. There should also be sufficient back-up arrangements, where the back-up staff should likewise possess relevant experience/expertise and seniority as described above.

Conflicts of interest

15. AMBs should establish, implement and maintain suitable policies and arrangements to identify and manage conflict of interest between its Data Provision Process and its other business segments, especially if the AMB uses or has an interest in the Benchmark. AMBs should also forbid staff from manipulating the Data Provision Process.

16. As a guidance, AMBs should:

- a) maintain a set of requirements for observance by all staff participating in the Data Provision Process
 - It is recognised that the Data may be provided by staff from Front Office Functions³, which may have an interest in the Benchmark. This should only be allowed if the AMB puts in place sufficient internal oversight and verification procedures, particularly the Preparer-Approver Mechanism described above.
 - Restrict the Preparer and Approver from trading in instruments that are valued or settled with reference to the “readily available” Data for Benchmark that he/she prepares or approves, unless approval is granted by their supervisors. A copy of the application and approval should be kept by the compliance office.
 - Have adequate controls to prevent staff who have access to or are in control of the Data from abusing or misusing their responsibilities.
 - Require staff to immediately report to at least one of the senior staff (or their designate) responsible for overseeing the Data Provision Process, if he/she suspects a colleague is manipulating the outcome of the Benchmark.
- b) Independence of staff
 - Particularly regarding the operation of the Preparer-Approver Mechanism, AMBs may consider physical

³ According to the IOSCO Principles for Financial Benchmarks, the term means any department, division, group, or personnel of Submitter or any of its affiliates, whether or not identified as such, that performs, or personnel exercising direct supervisory authority over the performance of, any pricing (excluding price verification for risk management purposes), trading, sales, marketing, advertising, solicitation, structuring, or brokerage activities on behalf of a third party or for proprietary purposes.

separation of staff and reporting lines where appropriate.

- c) Remuneration policy
 - AMB should be mindful of incentives that may increase the risk of staff manipulating the Benchmark, and take active steps to avoid/reduce such incentives.
- d) Communications
 - Staff involved in the Data Provision Process should conduct such duties on the AMB's recorded telephone or electronic communications systems.
 - Staff involved in the Data Provision Process should not involve in communications that attempt to influence the AMB's "readily available" Data.
- e) Declaration
 - AMBs and their staff involved in the Data Provision Process should declare any conflicts of interests and aggregate exposures to Benchmark related instruments and inform the TMA in a timely manner.

Retention of records

17. To enable effective audit trails for the Data Provision Process, AMBs should keep the following record for at least **seven** years:

- a) the Data, any underlying information used to derive the Data, the daily sign-off under the Preparer-Approver Mechanism (if applicable), as well as any challenges made by the Approver to the Data;
- b) records of communications with the TMA or calculating agent in respect of any provided Data;
- c) records of independent review conducted;
- d) records of queries and complaints related to Data Provision Process, and their respective outcomes; and
- e) reports to senior management in relation to review conducted on the Data Provision Process.

18. AMBs should ensure the records can be retrieved in the future, and cannot be manipulated. AMBs should also readily make available all relevant records to the TMA in a timely manner upon request.

Handling complaints and whistleblower reports

19. AMBs should establish, implement and enforce policies and procedures for handling complaints arising from the Data Provision Process, as well as any whistleblower reports received. In particular, AMBs should:

- a) have proper recording of all complaints and reports;
- b) allocate sufficient resources to review and investigate the complaints and reports; and
- c) have such complaints/reports reviewed and followed up by staff of sufficient seniority and expertise.

20. AMBs should inform the TMA and/or other public authorities (as appropriate) if they found their staff manipulating the outcome of the Benchmark.

Independent reviews

21. AMBs should establish, implement and maintain policies for regular and independent checking of the Data Provision Process (e.g. by compliance functions, or by internal or external auditors). The scope of the review may vary from one AMB to another. Amongst others, the scope should include:

- a) Comparison of AMBs' provided Data with their own transaction data;
- b) Ascertaining the proper maintenance of records of the Data Provision Process, including any challenges made by the Approver in respect of the Data;
- c) Performing review on the sufficiency of senior management oversight; and
- d) Evaluating whether enquiries regarding the Data Provision Process are thoroughly followed up and resolved.

22. Reports should be prepared on the review results and submitted to senior management. Any anomalies identified in the review process should be highlighted, so that corrective actions could be taken in a timely manner.

23. Where the review uncovers material breaches or

unethical/abusive behaviours in the Data Provision Process, AMBs should inform the TMA and public authorities without delay.

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Data to be provided for determination of the Benchmark

Benchmarks	Eligible transactions	Data to be provided
HONIA	HKD unsecured overnight interbank deals executed through your firm between 8:00:00 am and 4:00:00 pm Hong Kong time on any Hong Kong business day, where repayment is made on the following Hong Kong business day.	(i) Volume-weighted average price (VWAP) of the eligible transactions; (ii) Underlying volume of those transactions. Providing individual transactions containing their associated prices and volumes, instead of a VWAP with volume, is also acceptable.
USD/HKD Spot Rate and USD/CNY(HK) Spot Rate	<ul style="list-style-type: none">• executed through an Approved Money Broker with dedicated FX spot business;• having a transacted amount of at least US\$1 million; and• transacted between 10:45 am and 11:15 am Hong Kong time.	individual transactions containing their associated prices and volumes.