

Treasury Markets Association
Policy on IOSCO Independent Assurance Review

Version 1: July 2020

Introduction

The Treasury Markets Association (TMA) is the administrator of Hong Kong's major interest rate and foreign exchange (FX) benchmarks¹. In July 2013, the International Organization of Securities Commissions (IOSCO) promulgated an overarching framework of recommended principles for financial benchmarks². Since then, the IOSCO Principles for Financial Benchmarks ("IOSCO Principles") have become an important guidelines and global standards for major financial benchmarks. The European Union Benchmarks Regulation (EUBMR) was broadly developed with reference to the IOSCO Principles.

2. According to the IOSCO Principles, the administrator should appoint an independent internal or external auditor with appropriate experience and capability to periodically review and report on the administrator's adherence to its stated criteria and compliance with the IOSCO Principles. This Policy sets out:

- Scope of review;
- Frequency of review;
- Criteria for selection of independent auditor;
- Procedures to address the findings and recommendations arising from the review;
- Publication of statement of compliance and independent auditor's assurance report.

Scope of review

3. The scope includes all TMA's administered benchmarks:
- HKD Interest Settlement Rates (HKD HIBOR);

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

² <https://www.iosco.org/library/pubdocs/pdf/IOSCOPD415.pdf>

- CNH Hong Kong Interbank Offered Rate (CNH HIBOR);
- HKD Overnight Index Average (HONIA);
- USD/HKD Spot Rate; and
- USD/CNY(HK) Spot Rate.

Frequency of review

4. Independent external auditors should be appointed at least biennially for the review of interest rate benchmarks such as HIBORs and HONIA. It is also aligned with the requirements under EUBMR³; Independent external or internal auditor with appropriate experience and capability should be appointed at least every 4 years for the review of transaction-based foreign exchange benchmark such as TMA Spot Rates.

Criteria for selection of independent external auditor

5. The Committee(s) and Members of Committee which take part in the selection process should report any conflicts of interest. The selection criteria should include but not limited to:

- Assurance option(s);
- Relevant experience;
- Proposed timeline; and
- Fee.

Procedures to address the findings and recommendations arising from the review

6. The assurance review is expected to include gap analysis, remediation and certification on compliance with the IOSCO Principles post remediation. The TMA should report the progress to the Surveillance and Governance Committee (SGC) from time to time during every stage including but not limited to:

- Any major delay(s) on the progress;
- Gap analysis report issued by the independent auditor;
- TMA's proposed remediation based on the auditor's findings/recommendations and the relevant timeline;

³ ANNEX I of https://eur-lex.europa.eu/legal-content/EN/TXT/?uri=uriserv:OJ.L_.2016.171.01.0001.01.ENG

- Requirement for the endorsement from the SGC of revisions to existing policies and establishment of policies;
- Certification on compliance issued by the independent auditor; and
- Publication of independent auditor's assurance report.

Publication of statement of compliance and independent auditor's assurance report

7. The TMA should pre-agree with the independent external auditor on the rights to publish the assurance report on TMA's website prior the engagement. Also, the TMA should publish the latest independent auditor's assurance report within a reasonable time post regular assurance review.

Update and publication

8. The 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.

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