

Financial Benchmark Administration

Policy on review of performance of third parties

Introduction

The Treasury Markets Association (TMA) is the administrator of Hong Kong's major interest rate and foreign exchange (FX) benchmarks¹. This Policy on review of performance of third parties sets out TMA policies and procedures in relation to monitor third parties' compliance with the standards. This policy has been endorsed by the Surveillance and Governance Committee (SGC) and the Market Practices Committee of the TMA for implementation.²

Services being provided by third parties

2. Calculation Agents – key roles according to the existing service agreements such as (i) to provide system for rate input (submission-based benchmarks) and rate capture (transaction-based benchmarks), (ii) to facilitate rate calculation, distribution and publication, (iii) to perform recalculation upon approval by administrator, (iv) to provide help desk services to contributors and (v) to maintain contingency arrangement.

3. One of the TMA's administrated benchmarks, HKD HIBOR, is owned by the Hong Kong Association of Banks (HKAB) and therefore the service agreement is signed between HKAB and Hong Kong Interbank Clearing Limited. For other administrated benchmarks such as CNH HIBOR, HONIA and TMA's Spot Rates, the agreements are signed between TMA and Thomson Reuters.

Existing control to monitor service level

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 The SGC is the dedicated committee overseeing TMA's work as a benchmark administrator. Further details about the SGC are set out in https://www.tma.org.hk/en_market_gover.aspx.

4. Incident of any system failure, identification of any ineffective system design or complain of unreliable interface for rate input will be recorded, escalated via monthly SGC report and discussed during SGC meetings.
5. Publication accuracy and punctuality are monitored by daily surveillance handled by the TMA Office.
6. Case of any breach of re-calculation protocol distributed by the TMA will be recorded, escalated via monthly SGC report and discussed during SGC meetings.
7. Complain of unreachable help desk service will be recorded, escalated via monthly SGC report and discussed during SGC meetings.
8. Case of any breach of special weather arrangements and fall-back arrangements distributed by the TMA will be recorded, escalated via monthly SGC report and discussed during SGC meetings.

Additional requirements for Calculation Agents based on IOSCO Principles

9. Annual attestation arrangements for internal code of conducts in relation to benchmark calculation and dissemination of Calculation Agents are required to report to SGC annually.
10. Identification of any operational risks will be recorded, escalated via monthly SGC report and discussed during SGC meetings.

Summary

11. This policy will be used as reference to decide whether to renew third parties' appointment if needed:
 - Incident of any system failure, identification of any ineffective system design or complain of unreliable interface for rate input;

- Publication accuracy and punctuality;
- Case of any breach of re-calculation protocol;
- Complain of unreachable help desk service;
- Case of any breach of special weather arrangements and fall-back arrangements;
- Third parties' annual attestation arrangements for internal code of conducts in relation to benchmark calculation and dissemination; and
- Identification of any operational risks.

Update and publication

12. 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.

Treasury Markets Association
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