

Financial Benchmark Administration

Conflicts of Interest Policy

Background

As the administrator of Hong Kong's major financial benchmarks¹, the Treasury Markets Association (TMA) has developed this Conflicts of Interest Policy to provide guidance to parties involved in the benchmark-setting process (including the TMA as administrator) on identifying, avoiding, managing, and disclosing conflicts of interest that may arise in the determination, calculation, publication and surveillance of relevant financial benchmarks. Other parties who consider that a conflict of interest may arise are encouraged to draw reference to the guidance and develop suitable arrangements.

2. This Policy has been endorsed by the Surveillance and Governance Committee (SGC) and the Executive Board of the TMA for implementation.²

Objective

3. A number of parties are involved in the benchmark-setting process, such as (i) the oversight committee (i.e. the SGC); (ii) the contributors; (iii) the calculation agent; and (iv) the administrator (i.e. the TMA). In participating in the benchmark-setting process, these parties should comply with the prevailing laws, rules and/or regulations in addition to observing this policy. In particular, contributors are expected to comply with the [“Code of Conduct for Benchmark Submitters”](#) (i.e. CG-7) of the Supervisory Policy Manual issued by the Hong Kong

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 Rate (i.e. the FX Spot Rates).

² The SGC is the dedicated committee overseeing TMA's work in administering the benchmarks. Further details about the SGC are set out in https://www.tma.org.hk/en_market_gover.aspx.

Monetary Authority (HKMA) for HIBOR and the “Code on submitting data for financial benchmarks based on submissions” issued by the TMA for HKD Overnight Index Average (HONIA).

Identifying Conflicts of Interest

4. Conflicts of interest may arise throughout the benchmark-setting process. In particular, a conflict of interest may be described as a situation where the impartiality and objectivity of a decision, opinion or recommendation of an entity or a person is compromised, or perceived to have been compromised, by a personal interest. In identifying conflicts of interest, the scope should not be limited to those that may arise within any party involved, but should also cover those that relate to other parties, e.g. –

- (i) between the SGC and third party service provider procured by the TMA;
- (ii) between the contributors and the calculation agent;
- (iii) between the contributors and the administrator; or
- (iv) between the calculation agent and the administrator.

5. Parties should have in place appropriate measures to identify conflicts of interest. Below are some *non-exhaustive* examples of situations where conflicts of interest may arise in the benchmark-setting process and appropriate measures to identify of conflicts of interest may need to be established –

- (i) Members of the SGC could inappropriately influence the development of the benchmark definition or the application of Code of Conduct for panel banks or submitters to benefit their organisation or representative class.
- (ii) Members of the SGC who are directly or indirectly affiliated with contributors may gain access to confidential information regarding the relevant benchmarks which could benefit their own organisation;
- (iii) Members of the SGC may be responsible for assessing

- services provided by his or her affiliation to the administrator, e.g. auditing or legal services;
- (iv) contributors may contribute a particular rate with a view to affecting the outcome of the benchmark for financial benefit;
- (v) the institution in which a member of the SGC works may have fee generating business or relationships with a contributor;
- (vi) the calculation agent may have fee generating business or relationships with a contributor apart from its role in managing submissions and calculation duties; and
- (vii) the administrator or a staff member engaging in the administrative function may have dealings or relationships with a calculation agent or a contributor in other non-benchmark related businesses.

6. In putting in place such policies, parties should seek to –

- (i) identify all types of conflicts of interest, considering the range of activities that it performs as well as its relationships with others;
- (ii) establish appropriate level of controls so as to ensure the effectiveness of the policy in detecting potentially new conflicts of interest as they arise; and
- (iii) regularly review and update the policy as appropriate.

Avoiding and Managing Conflicts of Interest

7. Individual entities should put in place suitable measures to avoid, and manage (as appropriate) conflicts of interest in a way that is commensurate with the size and risks of the identified conflicts of interest, as well as the scale of business. This should be done at various levels –

- (i) *organisational level* – consider whether organisational separation between conflicting activities is required;
- (ii) *operational level* – consider whether conflicting activities should have physical segregation or segregated reporting

lines, and ascertain the need to control the exchange of information between opposite sides (both internally and externally) of a conflict of interest;

- (iii) *remuneration level* – removing direct links between remunerations of individuals representing opposite interests, or links that may induce someone to make biased decision;
- (iv) *implementation level* – ensure policies, procedures, code of conduct etc. are clearly communicated to staff involved in the process, with training/resources dedicated to this end; and
- (v) *monitoring* – relevant steps should be taken to monitor the process on an on-going basis.

Disclosing Conflicts of Interest

8. Individual entities should establish effective mechanisms for staff members to –

- (i) report their own conflicts of interest;
- (ii) regularly indicate their conformance; and
- (iii) report suspected non-conformance by others to appropriate parties, such as line managers, compliance, and/or senior management (as the situation requires).

9. In cases where a conflict of interest should be reported, this should be done so as soon as practicable.

10. The TMA SGC members are required to declare any conflict of interest on an annual basis (see **Annex A** of this policy). SGC members are also required to declare any conflict of interest before discussion of an agenda item during SGC meetings

. Such declarations are required to be documented in the SGC meeting minutes for publication on the TMA website. TMA Office staff responsible for benchmark administration are also required to declare any conflict of interest using the form at **Annex B** for review by the SGC.

Implementation

11. The TMA should actively promote this Conflicts of Interest Policy to entities that are involved in the benchmark-setting process, and periodically review its implementation and compliance by these entities.

12. Appropriate actions will be taken for failure to maintain the required conflicts of interest policy. For example, for contributors which fail to do so, the case will be referred to the HKMA for follow-up, as this is also a requirement set out in the HKMA's Supervisory Policy Manual CG-7. For calculation agents which fail to do so, the TMA will reconsider whether they are fit and proper in performing the role of calculation agents for the respective benchmarks calculated by them.

Update and publication

13. 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
November 2017

**Declaration of conflicts of interest by Members of the Treasury
Markets Association Surveillance and Governance Committee**

I, the undersigned, Member of the Surveillance and Governance Committee, confirm that:

- ☐ As at the date below, I have the following beneficial interests to declare:

Name of entity (company / institution / association)	Affiliation (Please specify, e.g. shareholder, director, partner, advisor)
Other interest to declare (if applicable)	

- ☐ I have no relevant beneficial interests to declare.
- ☐ I have read and understood and will follow the Conflicts of Interest Policy of the Treasury Markets Association. I will notify the Treasury Markets Association as new conflicts of interest arise.

Name and position: _____

Date: _____

Signature: _____

Declaration of conflicts of interest by staff of the Treasury Markets Association Office

I, the undersigned, staff of the Treasury Markets Association Office responsible for benchmark administration, confirm that:

- ☐ As at the date below, I have the following beneficial interests to declare:

(including financial instruments and contracts linked to benchmarks administrated by the TMA)

- ☐ I have no relevant beneficial interests to declare.
- ☐ I have read and understood and will follow the Conflicts of Interest Policy of the Treasury Markets Association. I will notify the Treasury Markets Association Surveillance and Governance Committee as new conflicts of interest arise.

Name and position: _____

Date: _____

Signature: _____