

**Treasury Markets Association
Surveillance and Governance Committee Meeting
(2:30 p.m., Wednesday, 16 October 2013)**

Minutes of Meeting

Location	Room 5502, 55/F, Two International Finance Centre, 8 Finance Street, Central
Members	Mr Peter Li, PricewaterhouseCoopers (Convenor) Mr Daryl Ho, HKMA Mr Francis Ho, CLP Holdings Limited Mr Jeff Kwan, MTR Corporation Limited Mr Andrew Malcolm, Linklaters, Hong Kong
In attendance	Mr Jack Cheung, TMA Mr Keith Kwok, HKMA and TMA Secretariat Mr Herbert Lam, HKMA and TMA Secretariat
Secretary	Mr Andy Ng, TMA
Apologies	Nil

Preliminaries

The Convenor welcomed Members to the first meeting of the Surveillance and Governance Committee (the SGC). He noted that the SGC had been tasked with the important undertaking of constructing a robust surveillance and monitoring framework for the Hong Kong Interbank Offered Rates (HIBOR). He opined that this framework would help identify any suspicious contributors that were not observing the Code of Conduct issued by the Hong Kong Monetary Authority (HKMA). The Convenor emphasised to Members the importance of keeping the meeting discussions confidential.

Agenda item 1 – Membership and terms of reference (papers TMA SGC 13/01 and TMA SGC 13/02)

2. The Secretary presented the TMA SGC Membership List and Terms of Reference, which had been circulated to Members ahead of the meeting. Members had no further comments on the documents, and the Membership List and Terms of Reference were confirmed.

Agenda item 2 – Proposal for Surveillance and Monitoring Framework (paper TMA SGC 13/03)

3. At the invitation of the Convenor, the Secretary introduced the proposal for surveillance and monitoring framework for the HKD HIBOR Fixing and CNH HIBOR Fixing with the assistance of a set of PowerPoint slides. The Secretary added that as the administrator of HIBOR, TMA's surveillance work would start after the Fixings were published, i.e. post-publication checks.

4. A Member asked whether the staffing in the TMA Office would be sufficient for conducting the surveillance work. The Secretary told Members that he and his supervisor were involved in the surveillance work. A Member suggested that if additional resources would be required, the approval of the Executive Board could be sought.

5. On the issue of pre-publication checks, a Member asked whether contributors were currently able to view their submitted rates after submission. The Secretary explained that this was possible for HKD HIBOR only, but not CNH HIBOR. Nevertheless, the TMA Office had been working with the calculating agent of CNH HIBOR, i.e. Thomson Reuters (TR), to implement this function.

6. Noting that the focus of TMA's surveillance work was on post-publication checks, a Member asked whether TMA Office would conduct any checking to ensure the Fixings published by the calculating agents were in order. In response, The Secretary said that after the calculating agents had published the respective Fixings, individual contributions would also be made available to the public. At the moment, the TMA Office had a computer programme to automatically download and calculate such individual contributed rates to an excel sheet, for checking against the Fixings published.

The Secretary added that there were no discrepancies in the two sets of figures so far. The TMA Office supplemented that the process was largely automated, and the data would be sourced directly from the calculating agents' published data, hence not subject to human errors.

7. Members discussed oversight of the calculation agent by the administrator.

8. Members discussed parameter setting of the surveillance mechanism, and that the TMA Office would initiate dialogue with the contributing banks if required.

9. In response to the query from the Convenor, the Secretary said that if the contributed rates were suspicious, ad hoc reports could be provided to the regulators as necessary.

10. A Member enquired whether the TMA Office has any back-up and contingency arrangements for its administrating role. The Secretary stated that there were physical and electronic copies of data and monitoring reports respectively. Also there were multiple computers in the TMA Office which could perform independent monitoring duties. A Member suggested that the back-up of records was essential and that any loss of historical data due to computer or power failure would have significant damage to the TMA. The TMA Office suggested that storing the back-up data in a separate physical site could be considered. A Member remarked that appropriate back-up and contingency procedures should be developed.

11. The Convenor asked Members for their views on the time allowed for Members to comment on the monthly reports. Members agreed that comments should reach the Secretariat in a week's time after circulation. The Secretary added that any suggestions on enhancing the surveillance and monitoring framework could be raised in the monthly reports and discussed in the quarterly meetings. Members raised no objection to this arrangement.

12. The TMA Office told Members that some banks had an impression that the TMA was hiding behind the wall and would catch them when they had done something wrong. A Member remarked that the TMA was not in a position to provide any advice on how banks would comply with

HKMA's regulations. A Member pointed out that the surveillance and monitoring process should be neutral as to avoid being over-preventive or over-rigorous.

13. A Member asked whether there was any international experience that the TMA could make reference to or whether there was similar surveillance mechanism in overseas jurisdictions. In response, The TMA Office said that they had been engaging with other financial benchmark administrators from time to time.

14. A Member opined that the next key milestone for the SGC would be to ensure the surveillance and monitoring framework could meet the international standards, such as those proposed by the International Organization of Securities Commissions (IOSCO). A Member was of the view that even though the existing mechanism might not be perfect, the establishment of the SGC and the surveillance framework can still send a clear signal to the market to deter potential rigging behaviours and give confidence to benchmark users. The Convenor noted that the mechanism that has been developed appears to be a good starting point and the team will look for opportunities to improve it going forward. In this connection, the TMA can liaise with other financial benchmark administrators worldwide from time to time to share practices and difficulties.

Agenda item 3 – Any other business

15. There being no other business, the meeting adjourned at 4:00 p.m.

Treasury Markets Association
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