

**Treasury Markets Association  
Surveillance and Governance Committee Meeting  
(2:30 p.m., Friday, 27 June 2014)**

**Minutes of Meeting**

Location	Room 5606, 55/F, Two International Finance Centre, 8 Finance Street, Central
Members	Mr Peter Li, PricewaterhouseCoopers (Convenor) Mr Enoch Fung, 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 third quarterly meeting of the Surveillance and Governance Committee (the SGC).

**Agenda item 1 – Change of Membership (papers TMA SGC 1403)**

2. The Convenor welcomed Mr Enoch Fung who replaced Mr Daryl Ho as representative from the Hong Kong Monetary Authority (HKMA).

**Agenda item 2 – Confirmation of minutes of last meeting (paper TMA SGC 1404)**

3. The Convenor asked if Members had any comments on the minutes of the last meeting, which had been circulated to Members ahead of the meeting. Members had no comments and the minutes were confirmed.

**Agenda item 3 – Review of the quality of rate submissions and update on international developments (paper TMA SGC 1405)**

4. At the invitation of the Convenor, the Secretary presented the review of the quality of rate submissions of the HKD HIBOR fixing and CNH HIBOR fixing. On the summary of pre-publication checks, the Secretary updated Members that with the help of email alert and confirmation pages, incomplete or missing submissions and fat finger errors from contributing banks had reduced significantly. Moreover, contributing banks were more proactive in communicating with the respective calculating agents before the cut off time in case they required any assistance in relation to their rate submissions.

5. Members discussed the issue of automated submission by contributor, following up on relevant discussion at last meeting.

7. The Convenor suggested the TMA to closely monitor whether contributing banks had exercised expert judgement in their rate submission process. A Member enquired how the TMA could differentiate whether submissions involved expert judgement or not. The Secretary explained that relevant statistical tools would be used to identify anomalies, and dialogues with individual bank would help the TMA to decide whether expert judgment was involved, and such information would be documented. The Member further questioned whether it would be possible for the TMA to find out if the methodologies used in the automated process entailed any mistakes and errors. The TMA Office said that the TMA could only ask banks to voluntarily disclose as much information as possible, and they had no authority to obtain further details about the relevant methodologies if banks refused to disclose. In response to an enquiry by a Member, the Secretary said being an outlier on its own would not necessarily mean that no expert judgement was involved in the process. A Member stated that the contributing banks would be subject to the relevant requirements in CG-7 and they would need to disclose information in

relation to their rate submissions if so required by the HKMA. Banks were also required to have audit trails to support their individual rate submissions.

8. Adding to the Secretary's presentation on the graph comparing the HKD and CNH HIBOR fixings with the relevant benchmarks, the TMA Office said that HKD market was a close-end system, while CNH funds could be repatriated to the onshore market or other offshore markets. Thus, there would be more instances of liquidity tightness in the CNH market. The Office added that offshore bond issuance could also trigger a shortage of short term CNH funds. A Member asked whether the above situation would happen frequently. The Secretary suggested that as CNH HIBOR had only been launched for a year (since June 2013), more time would be needed to observe the relevant pattern. However, any market views in this regard, if available from contributing banks, would be recorded and presented in the SGC monthly report for Members' information. Members also discussed turnover based on HIBOR.

9. On the summary of international developments, A Member asked if there were any suggestions in the joint review of EURIBOR by the European Securities and Markets Authority (ESMA) and the European Banking Authority (EBA) which would be applicable to the HIBOR fixing mechanism. The Secretary responded that the recommendations in the joint review of EURIBOR were broadly similar to those in the HIBOR review conducted in 2012, and relevant measures had been implemented for HIBOR as appropriate.

### **Agenda item 3 – Any other business**

15. There being no other business, the meeting adjourned at 2:50 p.m.

*Treasury Markets Association*  
*24 July 2014*