

Treasury Markets Association
Surveillance and Governance Committee Meeting
(2:30 p.m., Wednesday, 11 February 2015)

Minutes of Meeting

Location Room 5501B, 55/F, Two International Finance Centre,
8 Finance Street, Central

Members Mr Peter Li, PricewaterhouseCoopers (Convenor)
Mr Enoch Fung, HKMA
Mr Andrew Malcolm, Linklaters, Hong Kong

In attendance Mr Henry Chan, Hong Kong Association of Banks
(HKAB)'s representative (Observer)
Mr Jack Cheung, TMA
Mr Keith Kwok, HKMA and TMA Secretariat
Mr Herbert Lam, HKMA and TMA Secretariat
Mr Davis Tsui, HKMA and TMA Secretariat

Secretary Mr Andy Ng, TMA

Apologies Mr Francis Ho, CLP Holdings Limited
Mr Jeff Kwan, MTR Corporation Limited

Preliminaries

1. The Convenor welcomed Members and Mr Henry Chan, the new Observer from the Hong Kong Association of Banks (HKAB), to the fifth meeting of the Surveillance and Governance Committee (SGC).

Agenda item 1 – Confirmation of minutes of last meeting (paper TMA SGC 1501)

2. 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 2 – Review of the quality of rate submissions and update on international developments (paper TMA SGC 1502)

3. The Secretary reported the paper.

4. On the external audit, the Secretary briefed Members on the findings of the audit report regarding functions performed by the TMA as the administrator of HKD HIBOR. Members noted that the recommendations made arising from the report were supported by both HKAB and the external auditor. The TMA Office noted that the audit report confirmed that the TMA had duly performed its roles and responsibilities as agreed with HKAB, although there were a number of minor issues that were identified for improvement. He added that these issues had no material impact on the quality of the surveillance work. In particular, the Office said that other major benchmark administrators did not publish procedures for evaluating the severity of a whistleblowing case. Therefore, the proposed change to escalate immediately any whistleblowing case to SGC aimed at avoiding subjective judgment by TMA in handling the case. In response to the Convenor's enquiry, the Office said that any whistleblowing case could be escalated to the SGC first, and SGC could make a decision on whether the case should be referred to the Hong Kong Monetary Authority (HKMA). A Member noted that it might also be difficult for the SGC to decide whether the whistleblowing case was valid given the limited information available. The TMA Secretariat suggested that TMA's role would be to act as a bridge between the whistleblower and the regulator. He explained that the TMA Office could first give the SGC a heads-up of a received

whistleblowing case, and conduct preliminary analysis to see whether there would be *prima facie* evidence of genuine misconduct, and if so, the case could be included in the regular SGC report, a copy of which would be passed to HKMA. The TMA could then advise the whistleblower to lodge a complaint case with the HKMA. A Member further explained that the HKMA had established procedures to deal with complaints, and the complainant might be invited for an interview with the regulator directly. The Member opined that this could minimise the burden on the SGC to decide whether the whistleblowing case would be passed to the HKMA. Members agreed with this way forward in dealing with any whistleblowing case. Members also agreed with the other proposed changes.

4. On the summary of post-publication checks, Members noted that there were no anomalies observed from the various checks.

5. A Member asked whether there would be extra cost involved in implementing the checker's sign-off procedure on all daily post-publication checks. The TMA Office responded that there would be no extra headcount required, as a staff had been promoted to take on more responsibilities on benchmark administration. The Convenor reminded that the HKAB should be informed of the potential cost increment as a result of implementing the measures in response to the findings of the audit report. The TMA Secretariat supplemented that this would be brought to HKAB's attention in the upcoming HIBOR Enhancement Implementation Joint Working Group Meeting to be held on 23 February 2015.

6. The TMA Secretariat told Members that conflicts of interest policy for TMA monitoring staff and SGC members were currently under development, with a view to meeting the relevant requirements by the International Organization of Securities Commissions. The policy would be submitted to the SGC for review and endorsement in due course. The TMA Secretariat also updated Members that TMA's website was under revamp in order to disclose the relevant information, policies and arrangements on benchmarks administration in a consolidated manner.

Agenda item 3 – Any other business

7. There being no other business, the meeting adjourned at 3:10 p.m.

Treasury Markets Association Office
21 April 2015