

Treasury Markets Association
Surveillance and Governance Committee Meeting
(2:30 p.m., Monday, 22 February 2016)

Minutes of Meeting

Location Room 5609, 56/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
Mr Alex Kwok, HKMA and TMA Secretariat
Ms Doris Kwan, Hong Kong Association of Banks
(HKAB)'s representative (Observer)

Secretary Mr Andy Ng, TMA

Apologies Nil

Preliminaries

The Convenor welcomed Members and Ms Doris Kwan, the new Observer from the Hong Kong Association of Banks (HKAB), to the eighth meeting of the Surveillance and Governance Committee (SGC).

Agenda item 1 – Confirmation of minutes of last meeting (paper TMA SGC 16/01)

2. Members had no comments on the minutes of the last meeting. The minutes were confirmed.

Agenda item 2 – Review of the quality of rate submissions and update on international developments (paper TMA SGC 16/02)

3. The Secretary presented the paper. On the summary of post-publication checks, Members noted that no anomalies were identified in the benchmark determination process of the FX Spot rates. Members also noted that HKD and CNH HIBOR banks whose submissions were identified as outliers in the post-publication checks were able to provide rationale to explain the deviation.

4. Regarding the criteria for selecting external auditor to certify TMA benchmarks' compliance with the requirements of the International Organization of Securities Commissions (IOSCO), Members discussed and agreed that knowledge of the auditor on IOSCO requirements would be an important consideration. Members further noted that this auditing exercise would be different from that conducted in 2014, which focused on TMA administrating HKD HIBOR for the HKAB.

5. Members discussed the implication of the development of transactions-based benchmarks to the SGC, and agreed that SGC would have a surveillance role over the rate determination process of transactions-based benchmarks, including the take up of ownership and administration of the HKD Overnight Index Swaps (OIS) reference rate.

[Post-meeting note: With effect from 5 April 2016, the TMA will take up the ownership and administration of the HKD OIS, and the benchmark will be renamed as HKD Overnight Index Average (HONIA).]

Agenda item 3 – Summary of incidents leading to requests for re-calculating TMA benchmarks between January 2015 to January 2016 (paper TMA SGC 16/03)

6. The Secretary presented the paper. Members noted that no complaints had been received regarding the re-calculation of TMA's benchmarks so far. Members also noted that the existing re-calculation protocol was developed in 2013, and drawing reference from other major international benchmarks, certain parts of the protocol (e.g. threshold for triggering benchmark re-calculation) might need to be enhanced. The TMA would consult the market before making any changes.

7. Members supported sharing with other TMA benchmark contributors the summary of incidents and relevant remedial actions developed by banks, while noting that TMA should not endorse these actions as best practices. Members also noted that the HKMA SPM CG-7 provided useful guidance for benchmark submitters regarding the best practices in the benchmark submission process.

Agenda item 4 – Any other business

8. With no other business, the meeting adjourned at 3:25 pm.

**Treasury Markets Association Office
17 March 2016**