

**Treasury Markets Association  
Surveillance and Governance Committee Meeting  
(2:30 p.m., Tuesday, 28 June 2016)**

**Minutes of Meeting**

Location            Room 5610B, 56/F, Two International Finance Centre,  
8 Finance Street, Central

Members           Mr Peter Li, PricewaterhouseCoopers (Convenor)  
Mr Kitty Lai, HKMA  
Mr Francis Ho, CLP Holdings Limited  
Mr Jeff Kwan, MTR Corporation Limited

In attendance Mr Jack Cheung, TMA  
Mr Keith Kwok, 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          Mr Andrew Malcolm, Linklaters, Hong Kong

**Agenda item 1 – Change of Membership (paper TMA SGC 16/04)**

The Convenor welcomed Ms Kitty Lai, who replaced Mr Enoch Fung as representative from the Hong Kong Monetary Authority (HKMA) in the SGC.

**Agenda item 2 – Confirmation of minutes of last meeting (paper TMA SGC 16/05)**

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

**Agenda item 3 – Review of the quality of rate submissions and update on international developments (paper TMA SGC 16/06)**

3. The Secretary presented the paper. Members noted that no anomalies were identified in the benchmark determination process of the FX Spot Rates. Members also noted that relevant CNH and HKD HIBOR contributing banks were able to provide rationale to explain those submissions that failed to pass TMA's post-publication checks.

4. Members discussed the unprecedented negative overnight CNH HIBOR on 31 March 2016, and noted that subsequent policy change should obviate the anomaly of negative rates at quarter ends in the future.

*[Post-meeting note: Overnight CNH HIBOR on 30 June 2016 was 0.981%.]*

5. On the surveillance work of HONIA, Members noted that while no anomalies were identified when comparing HONIA against monthly volumes separately reported by the contributing brokers, a technical incident of missing submission occurred.

6. Members discussed the incident and noted that HONIA recalculation arrangements should be enhanced. There would also be merits to synchronise the different arrangements for different benchmarks to the extent possible. With deliberation, Members agreed with TMA Office's proposal for (i) a one-hour cut-off for re-calculation; (ii) only republish a rate if the difference between the recalculated rate and the published rate was more than 3 basis points; and (iii) TMA to publish every quarter a summary of the recalculations on an anonymous basis,

including those incidents that did not trigger a republication. Members noted that these proposals were developed having regard to international practices. Members also discussed and agreed that a similar arrangement should be adopted for HIBOR.

7. For FX benchmarks, considering the fact that the rates would be calculated based on actual transactions and the various controls in place, Members agreed that the re-calculation protocol should focus on calculating agent's error. For such error, the one-hour cut-off as described above should also be applied. Members also noted that this one-hour cut-off had been used all along for the FX benchmarks, i.e. no material change was actually required.

8. Members noted that the proposed re-calculation protocols would be considered by the Market Practices Committee as a next step. Afterwards, the TMA would conduct a consultation on the recalculation policy and amend the arrangements if need be before implementation.

#### **Agenda item 4 – Any other business**

9. With no other business, the meeting adjourned at 3:20 pm.

**Treasury Markets Association Office**  
**4 July 2016**