

**Treasury Markets Association**  
**Surveillance and Governance Committee Meeting**  
(4:30 p.m., Friday, 17 February 2017)

**Minutes of Meeting**

Location	Room 5603C, 56/F, Two International Finance Centre, 8 Finance Street, Central
Members	Mr Peter Li, PricewaterhouseCoopers (Convenor) Mr Barry Yip, HKMA Mr Francis Ho, CLP Holdings Limited Mr Andrew Malcolm, Linklaters, Hong Kong 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 Mr Kenneth Ho, Hong Kong Association of Banks (HKAB)'s representative (Observer)
Secretary	Mr Andy Ng, TMA
Apologies	Nil

**Preliminaries**

The Convenor welcomed Members and Mr Kenneth Ho to the eleventh meeting of the Surveillance and Governance Committee (SGC).

**Agenda item 1 – Confirmation of minutes of last meeting (paper TMA SGC 17/01)**

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

**Agenda item 2 – Steps to better follow IOSCO Principles (paper TMA SGC 17/02)**

3. The Secretary presented the item. Members discussed and agreed that the SGC's term of reference, membership list with selection criteria, meeting minutes (non-attributable basis) including declaration of conflicts of interest made by members, and change in committee membership should be published on the TMA website. Members also agreed that while more fundamental reviews could be conducted every three years on the definitions and methodologies, surveillance arrangements, control framework (including conflict of interest, consultation, whistleblowing and complaint policies) and Code of Conduct for Benchmark Submitters of the TMA-administrated benchmarks, there should be annual reviews on a smaller-scale basis, which could include minor adjustments in relevant parameters.

4. With deliberation, Members agreed with adopting the proposed actions presented in the paper. Members asked the Secretary to circulate the final materials in one-go to seek approval.

*[Post-meeting note: The Secretary circulated the revised items covering the above issues to the SGC on 14 March 2017. The SGC approved the items on 30 March 2017.]*

**Agenda item 3 – Conflict of Interest Policy – Declaration of conflicts of interest (paper TMA SGC 17/03)**

5. Members discussed and agreed that SGC members should declare their conflict of interest before each meeting. The Secretary undertook to revise the proposal by drawing reference from other major IBOR administrators, especially on issues such as whether spouse of SGC members should be covered and whether Members' employer having fee generating business from benchmark contributors should be declared. The revised arrangement would be circulated to Members for approval.

*[Post-meeting note: The Secretary circulated the revised items to the SGC on 14 March 2017. The SGC approved the items on 30 March 2017.]*

**Agenda item 4 – Review of the quality of rate submissions (paper TMA SGC 17/04)**

6. The Secretary presented the paper. Members noted that improvement and measures had been implemented by the administrator, contributors and calculating agent regarding technical issues and incidents of submission error and missing submission.

7. Members noted that no anomalies were identified in the benchmark determination process of HIBORs. Relevant CNH and HKD HIBOR contributing banks were able to provide valid rationale to explain the basis of their submissions when approached by the TMA. Members noted the findings of the TMA benchmark surveillance, and the existing surveillance methodology remained appropriate.

8. On the TMA's Spot Rates, Members noted that new contributing brokers had been included in the panel. For trades executed through voice brokers, only those trades where trade details were duly confirmed by the broker and the two counterparties would be used.

9. For HONIA, Members discussed a suggestion of bringing forward the starting time of the "transaction window" from the current 9

am to 8am. With deliberation, Members asked the Secretary to obtain more empirical data to conduct further analysis.

*[Post-meeting note: The Secretary informed Members on 14 March 2017 that, based on inputs from certain voice brokers, bringing forward the starting time would increase the volume of eligible transactions by around 10%. Members agreed that in future consultation about HONIA reforms, the TMA should ask stakeholders about bringing forward the starting time to 8 am.]*

**Agenda item 5 – Review of surveillance framework – adjusting the price tolerance check on trades used to calculate FX Spot Rates (paper TMA SGC 17/04)**

10. The Secretary presented the item. The TMA Office supplemented that the benchmarks were calculated as the volume-weighted median of eligible transactions. This averaging methodology, by design, would reduce the effect of outliers on the calculated benchmark rate. Members agreed to observe for a longer period before deciding whether and how to adjust the threshold.

**Agenda item 6 – Update on international and local developments (paper TMA SGC 17/04)**

11. The Secretary presented the paper. Members discussed and agreed that any reform proposal for HIBOR and HKD risk free rate should make reference to international developments and take into account prevailing international recommendations and local market conditions.

**Agenda item 7 – Any other business**

12.           The Convenor emphasised the need to address potential conflicts of interest as the TMA works to shortlist external auditors as part of meeting new requirements under the EU Benchmarks Regulation for TMA-administrated benchmarks. Members noted that the TMA had procurement policy set by the Finance and Administration Committee of the TMA, and such policy should have addressed the potential conflict of interest.

13.           With no other business, the meeting adjourned at 5:30 pm.

**Treasury Markets Association Office**  
**14 March 2017**