

**Treasury Markets Association  
Surveillance and Governance Committee Meeting  
(4:30 p.m., Thursday, 2 November 2017)**

**Minutes of Meeting**

Location	Room 2110, 21/F, Edinburgh Tower, 15 Queen's Road 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
In attendance	Mr Jack Cheung, TMA Mr Kim Hung Li, HKMA/TMA Secretariat Mr Alex Kwok, HKMA/TMA Secretariat Mr Jason Tam, Hong Kong Association of Banks (HKAB)'s representative (Observer)
Secretary	Mr Andy Ng, TMA
Apologies	Nil

**Preliminaries**

The Convenor welcomed Members and Observer from HKAB to the thirteenth meeting of the Surveillance and Governance Committee (SGC).

**Agenda item 1 – Declaration of any conflicts of interest and discussion of declared interest (if any)**

2. Members had no new conflicts of interest to declare. The Convenor reiterated on his declared interest with PricewaterhouseCoopers. He is employed by the firm and the firm advises clients on regulatory compliance including on financial benchmark. His role in this advisory service has been limited to updating clients about regulatory trend.

**Agenda item 2 – Confirmation of minutes of last meeting (paper TMA SGC 17/09)**

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

**Agenda item 3 – Strengthen TMA conflicts of interest policy (paper TMA SGC 17/10) [For approval]**

4. The Secretary presented the proposed changes to the policy. A member suggested some further changes to the policy.

*Post-meeting note: The further changes proposed by the Member were incorporated and the Secretary circulated the final draft to the SGC on 28 November 2017 for approval. Members approved the final draft.*

**Agenda item 4 – Strengthen TMA whistle blowing policy (paper TMA SGC 17/11) [For approval]**

5. The Secretary presented the proposed changes to the policy. A member suggested the policy should include TMA updating the SGC on investigation progress.

*Post-meeting note: The suggestion by the Member was incorporated and the Secretary circulated the final draft to the SGC on 28 November 2017 for approval. Members approved the final draft.*

**Agenda item 5 – TMA benchmark cessation and transition policy (paper TMA SGC 17/12) [For approval]**

6.            The Secretary presented the item. Members approved the new policy.

**Agenda item 6 – TMA benchmark confidentiality and record keeping policy (paper TMA SGC 17/13) [For approval]**

7.            The Secretary presented the item. Members approved the new policy.

**Agenda item 7 – Update of Periodic review by SGC (paper TMA SGC 17/14)**

8.            In August 2017, Members were invited to review SGC's terms of reference, membership and selection criteria, benchmark's definitions and methodologies, surveillance and monitoring framework, and Submitter Code of Conduct. Members were of the view that no change was needed. The Secretary reminded Members such regular review would be conducted annually.

**Agenda item 8 – Review of the quality of rate submissions (paper TMA SGC 17/15)**

9.            The Secretary presented the item. Members noted the incident of input error from contributing broker of HONIA on 30 August 2017. The contributing broker informed the calculating agent that they

had included a trade booked in Singapore in their submission due to preexisting error in data extraction system. As a result, HONIA deviated from its correct value by 0.0001% (correct rate: 0.15898%, incorrect value published based on wrong submission: 0.15888%). The volume was also incorrect. As there was no published error correction policy for HONIA, the published value was not revised. Even if proposed error correction policy was in place, as the deviation was smaller than the threshold of 3 bps, the published HONIA would not be revised. To prevent similar incident in future, the broker's preparer-checker mechanism has been strengthened and the rectification of their data extraction system is pending to be implemented.

*Note: The above incident was also documented in the SGC monthly report circulated to the Members.*

10. 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 discussed and generally agreed that the implied curves still acted as a reasonable proxy for actual HIBOR curves insofar as surveillance was concerned. Members also noted that there were no anomalies in the determination of TMA's Spot Rates and HONIA.

**Agenda item 10 – Review of surveillance framework – adjusting the price tolerance check on trades used to calculate FX Spot Rates (paper TMA SGC 17/15)**

11. The Secretary presented the item. Members considered the existing practices are effective in removing input error such as fat finger error and agreed on keeping the current levels of thresholds for price tolerance check for TMA Spot Rates.

**Agenda item 10 – Update on international and local developments**  
**(paper TMA SGC 17/15)**

12.        The Secretary presented the item. Members discussed the findings from IOSCO self-assessment report on LIBOR and audits on establishment and implementation of TIBOR's framework. Members also discussed the similar challenges on the TMA's administrated benchmarks. Members asked the Secretary to provide update on the local development of nearly risk-free rates on a regular basis.

**Agenda item 11 – Any other business**

13.        The TMA Office suggested adding benchmark administration function as one of the TMA's missions. A member said benchmark administration might have already been covered by existing TMA mission, and more deliberation was needed.

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

**Treasury Markets Association Office**  
**9 November 2017**