

Treasury Markets Association
Surveillance and Governance Committee Meeting
(10:30 a.m., Wednesday, 28 October 2020)

Minutes of Meeting

Location	Video conference
Members	Mr Peter Li, PricewaterhouseCoopers (Convenor) Mr Barry Yip, HKMA Mr David Pang, MTR Corporation Limited Mr Francis Ho, CLP Holdings Limited
In attendance	Mr Jack Cheung, TMA Mr Chordio Chan, Hong Kong Association of Banks (HKAB)'s representative (Observer)
Secretary	Mr Andy Ng, TMA
Apologies	Mr Andrew Malcolm, Linklaters, Hong Kong

Preliminaries

The Convenor welcomed Members to the 23rd 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.

Agenda item 2 – Confirmation of minutes of last meeting (paper TMA SGC 20/14)

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

Agenda item 3 – Update of Periodic review by SGC (paper TMA SGC 20/15)

4. In September 2020, Members were invited to review SGC's terms of reference, membership, selection criteria, administrator's control framework, benchmark's definitions and methodologies, Submitter Code of Conduct, surveillance and monitoring framework. The Secretary suggested no change as the SGC had adopted several enhancement recommended by the external auditor in the last meeting. Members were of the view that no change was needed.

Agenda item 4 –Review of the quality of rate submissions (paper TMA SGC 20/16)

5. The Secretary presented the item. Members discussed the HONIA incident in July 2020, re-calculations of HKD HIBOR in July and August 2020, and CNH HIBOR incident in September 2020, which had been respectively documented in the SGC monthly reports circulated to Members. The Secretary reported that the feed migration of a TMA's Spot Rate contributor in September 2020 is expected to resolve the system limitation (sub-second) completely and reduce similar incidents significantly.

6. Members noted that no anomalies were identified in the benchmark determination process of HIBORs. The 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 the 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 5 – Review of surveillance framework –price tolerance check on FX Spot Rates (paper TMA SGC 20/16)

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

Agenda item 6 – Update on international and local developments (paper TMA SGC 20/16)

8. The Secretary presented the findings on examining the calculation of HIBOR fallbacks for HIBOR-linked derivatives. Members discussed the potential implications and TMA's rights on oversight of the Calculation Agent. Members agreed to report the examination results to the TMA Working Group of Alternative Reference Rate for further discussion.

Post-meeting note: The Secretary circulated the report (SGC 2017) to the SGC on 28 October 2020 for information.

Agenda item 7 – Any other business

9. The Secretary updated Members that the IOSCO assurance review conducted by external auditor is at the final stage and expected to be completed in early November.

Post-meeting note: The IOSCO assurance review report was published on TMA's website on 9 November 2020.

10. The Convenor proposed to review the role of SGC in order to incorporate the recent global developments such as LIBOR discontinuation.

Post-meeting note: The Secretary is checking with the Convenor for further follow up.

11. With no other business, the meeting adjourned at 11:15 am.

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9 November 2020