

Treasury Markets Association
Surveillance and Governance Committee Meeting
(2:30 p.m., Wednesday, 8 March 2023)

Minutes of Meeting

Location	Room 5501D, 55/F, Two International Finance Centre 8 Finance Street, Central, Hong Kong
Members	Mr Peter Li, PricewaterhouseCoopers (Convenor) Ms Kimberly Cheng, Hong Kong Monetary Authority Mr David Pang, MTR Corporation Limited
In attendance	Mr Wilson Wong, Hong Kong Association of Banks (HKAB)'s representative (Observer) Mr Chordio Chan, TMA Mr David Tsang, TMA
Secretary	Mr Andy Ng, TMA
Apologies	Mr Andrew Malcolm, Linklaters, Hong Kong Mr Francis Ho, CLP Holdings Limited

Preliminaries

The Convenor welcomed Members to the 30th meeting of the Surveillance and Governance Committee (SGC).

Agenda item 1 – Declaration of any conflicts of interest and discussion of declared interest (if any) (paper TMA SGC 23/01)

2. Members had no new conflicts of interest to declare. Members also noted that the TMA staff related to benchmark administration had submitted the annual declaration form and had no new conflicts of interest to report. Members further noted that the HKD HIBOR Calculation Agent's annual attestation arrangements for Code of Conducts had been completed by January 2023.

Agenda item 2 – Confirmation of minutes of last meeting (paper TMA SGC 23/02)

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

Agenda item 3 – Selection arrangements for TMA Spot Rates Contributing Brokers (paper TMA SGC 23/03)

4. The Secretary presented the paper. Members approved maintaining the current selection arrangements for the TMA Spot Rates contributing brokers for the next appointment period (1 August 2023 to 31 July 2026).

Agenda item 4 –Review of the quality of rate submissions (paper TMA SGC 23/04)

5. The Secretary presented the item. Members discussed the incident arising from the technical issues of the calculation agent of CNH HIBOR on 17 February 2023, and the HKD HIBOR incidents on 23 December 2022 and 13 February 2023, which had been documented in the SGC monthly reports circulated to Members. In addition to suggesting strengthening incident remediation through more robust conversations and site visits to contributors for cases of repeated mistakes in the last meeting, Members reviewed the error rates of the contributing banks involved in the above incidents, which still appeared to be very low.

It was suggested that observations over a longer period should be more indicative.

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 TMA. Members generally agreed that the implied curves still acted as a reasonable proxy for the actual HIBOR curves insofar as surveillance was concerned and discussed using alternative benchmark(s) to replace USD LIBOR in calculating the implied curves. Members also noted that there were no anomalies in the determination of TMA's Spot Rates and HONIA.

Agenda item 5 – Update on international and local developments (paper TMA SGC 23/04)

7. Members were updated on the UK Financial Conduct Authority's announcement of winding-down of LIBOR, the Canadian Alternative Reference Rate Working Group's announcement on the development of a Term CORRA (risk free rate) benchmark, the US Alternative Reference Rate Committee's recommendation on a limited scope of use for Term SOFR as well as the European Commission's draft act to extend transition for non-EU benchmarks' usage until end of 2025. Members discussed the implications of these international developments on the benchmarks under the TMA's purview.

Agenda item 6 – Any other business

8. Members were invited by the Convenor to review the SGC's regular meeting agenda.

9. With no other business, the meeting adjourned at 3:00 p.m.

Treasury Markets Association
10 March 2023