

Treasury Markets Association
Surveillance and Governance Committee Meeting
(2:30 p.m., Thursday, 16 November 2023)

Minutes of Meeting

Location	Room 5603A, 56/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 Francis Ho, CLP Holdings Limited Mr David Pang, MTR Corporation Limited
In attendance	Mr Chordio Chan, TMA Mr Wilson Wong, Hong Kong Association of Banks (HKAB)'s representative (Observer)
Secretary	Mr Andy Ng, TMA Mr David Tsang, TMA
Apologies	Mr Andrew Malcolm, Linklaters, Hong Kong

Preliminaries

The Convenor welcomed Members to the 32nd 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. The Convenor declared his interest as a partner of one of the professional services firms from which TMA has sought quotation with regards to Agenda item 9.

Agenda item 2 – Confirmation of minutes of last meeting (paper TMA SGC 23/11)

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 23/12)

4. The TMA recommended no change to be made following its internal assessment. Members concurred with TMA's recommendation.

Agenda item 4 – Review the special arrangements of TMA's administered benchmarks (paper TMA SGC 23/13)

5. The Secretary presented the cases for non-publication and fallback arrangements of HKD & CNH HIBOR, HONIA and USD/HKD & USD/CNH FX Spot Rates respectively. An attendee shared his experience on how London operates under severe weather conditions compared to Hong Kong. Members acknowledged that the practices of different locations can vary depending on a range of factors.

6. For HKD & CNH HIBOR, Members were updated on the MPC's feedback regarding the same topic. Members noted and agreed that there is no strong demand or need to revise the current special arrangements due to the existence of robust fallback arrangements. Further, the HIBOR fixings (especially at the overnight tenor) could also

be more volatile on severe weather days given thin liquidity and transactions.

7. For HONIA, Members discussed the benefit of the current fallback arrangements which allows for users' discretion. Members also noted that there is no strong demand or need to revise the arrangement under the multi-rate approach at this stage.

8. As there is no robust fallback arrangements for USD/CNH and USD/HKD FX Spot Rates, Members approved the proposed arrangement to publish the benchmark where calculation is based on transactions taken from FX platforms, under severe weather conditions.

Post-meeting note: The proposed arrangement is effective from 21 November 2023.

Agenda item 5 –Review of the quality of rate submissions (paper TMA SGC 23/14)

9. The Secretary presented the item. Members were briefed on the HKD HIBOR incidents on 25 July, 4 August and 15 August 2023, HONIA incident on 6 November 2023 and TMA Spot Rates incidents respectively on 26 July and 25 September 2023. The Secretary reported that a case relating to a HKD HIBOR contributing bank was escalated to the HKMA due to repeated error incidents. The contributing bank has since responded that they have remediated and enhanced their internal procedures for HIBOR submission on 25 October 2023. Members discussed the ongoing effectiveness of manual error detection control procedures at contributing banks. The Secretary also reported that the HONIA incident is caused by an input error by a broker, plus the 2 TMA Spot Rates incidents being triggered by one-off IT issues from a contributor and the calculation agent respectively.

10. Members noted that there were no anomalies were identified in the benchmark determination process of HIBORs. The relevant CNH and HKD HIBOR contributing banks were able to properly explain the basis of their submissions to the TMA. Members agreed that the implied curves still acted as a reasonable proxy for the actual HIBOR curves insofar as surveillance was concerned. The Secretary reminded that available alternative benchmarks to replace USD LIBOR including CME Term SOFR, SOFR futures as well as SOFR Averages (compounding) are used in calculating the implied curves post LIBOR transition. Members also noted that there were no anomalies in the determination of TMA's Spot Rates and HONIA.

Agenda item 6 – Review of surveillance framework – price tolerance check on TMA's Spot Rates (paper TMA SGC 23/14)

11. The Secretary presented the item. Members considered the existing practices are effective in detecting anomalies and agreed on keeping the current thresholds for price tolerance checks for TMA Spot Rates.

Agenda item 7 – Update on international and local developments
(paper TMA SGC 23/14)

12. Members were updated on a number of international developments. These include the USD LIBOR cessation on 30 June 2023, statement on SOFR being the best alternative to LIBOR by US Alternative Reference Rates Committee (ARRC), launch of the Refinitiv Term €STR and Term CORRA benchmarks, the HM Treasury's announcement to extend the transitional period for third country benchmarks to 31 December 2030 in UKBMR and the European Commission (EC)'s extension of the transition for non-EU benchmarks' usage to the end of 2025 in EUBMR and the EC's initiative on reviewing the scope and regime for non-EU benchmarks. Members were also updated on TMA's initial estimates on the usage of TMA's administered benchmarks.

Post-meeting note: The TMA will further check with Refinitiv and Rimes on the usage of TMA's administered benchmarks in the EU in order to validate the TMA's initial assessment.

Agenda item 8 – Any other business

13. No other business.

Agenda item 9 – Proposals for Independent Assurance Review on IOSCO Compliance (paper TMA SGC 23/15)

14. The Convenor had left meeting and did not participate in the discussion. The Secretary presented the item. Members reviewed the received proposals in terms of assurance option, relevant experience, proposed timeline and fee. Members discussed the importance of consistency for quotation process with regards to both past practices in IOSCO audit and current practices in other benchmark projects. Members also endorsed the recommendation of appointing Auditor D for the upcoming independent assurance review on compliance of IOSCO Principles for 2024 - 2025.

Post-meeting note: The TMA will seek EB's approval regarding the cost of the review, then inform HKAB on the selection and the reimbursement of HKD HIBOR fee afterward. The TMA will also incorporate other quotation score table for Members' discussion in the next selection.

15. The meeting was adjourned at 3:40 p.m.

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21 November 2023