

May 9, 2000

Minutes of the 33rd Meeting of the Tokyo Foreign Exchange Market Committee

Time and Date of the meeting: 13:00-15:10 April 20, 2000
Meeting place: Bank of Japan
Chairperson: Mr. Toshiyuki Morioka (The Bank of Tokyo-Mitsubishi)
Vice-chairpersons: Mr. Takashi Okura (Barclays Bank)
Mr. Takeshi Hanai (The Industrial Bank of Japan)
Secretary: Mr. Masaru Tanaka (Bank of Japan)
The number of the attending committee members: 15

1. Resignation and Recruitment of Members

In addition to one member that had already resigned before this meeting, two members expressed their resignation at the beginning of the meeting, and another member's term would be expiring in May. Because the Committee is considering to change the present recruiting procedure which is an important aspect of the reform of the Committee, the Committee agreed that it would not start the recruiting procedure until the new procedures for appointing members has been fixed.

2. Proposals for Reforming the Committee

Mr. H. Kato, chairperson of the Sub-committee on Committee Steering, reported and proposed as follows.

- (1) The Sub-committee discussed the pros and cons of the three reform options of the Committee, namely, (a) to be supported by the Bank of Japan (BOJ), (b) to be absorbed in the Japanese Bankers Association (Zenginkyo), (c) to become a trade association based on Japanese Anti-monopoly Act. The Sub-committee agreed on proposition (a).
- (2) Therefore, the Sub-committee proposed to the Committee to allow it to carry forward the project requesting BOJ to reinforce its support and commitment to the Committee.

The Committee approved the proposal by the Sub-committee, and directed the Sub-committee to push ahead with its project keeping close contact with BOJ. It also asked the Sub-committee to hold a meeting to expedite this project before the next Committee's meeting.

3. EMTA's Tele-conference Meeting on Asian Currency NDFs

Mr. T. Takamatsu, chairperson of the Sub-committee on Risk Management, reported the outcome of the Asian currency NDFs tele-conference held amongst London, Tokyo, Singapore, and Hong Kong participants on April 12 as follows.

- (1) Most NDF Market Practices proposed by EMTA were agreed by Asian market participants without objections.
- (2) However, some points on Asian Currency NDFs could not reach an agreement. Because of the time limit, there were some issues including calculation agent selection, which could not be discussed.
- (3) Remaining issues will be discussed by the Local Sub-group in each market.

The Committee agreed that the Sub-committee on Risk Management and the Sub-committee on Legal Matters would continue to pursue this task.

4. Settlement of Spot Transaction on T+1

Mr. K. Kobayashi reported and proposed as follows, and the Committee approved his proposal.

- (1) In prospect of the settlement date change to T+1 in the securities market by 2002, the Foreign Exchange Committee in New York and the Foreign Exchange Joint Standing Committee in London have discussed the effects on foreign exchange trading if there were to be a change in the spot convention from T+2 to T+1.
- (2) For fact finding purposes, all members were requested to bring this issue up in their institutions, and check on the feasibility of a T+1 spot convention. This issue will be brought up in other Asian & Oceania markets.

5. Ring Fence Clause

Mr. M. Yasuda reported as follows.

- (1) Ring Fence Clause is a condition that limits transaction liabilities only to the branch offices that have dealt the transactions.
- (2) Recently, in Asian and Oceania markets, there has been reports that some foreign banks are sending confirmations that include Ring Fence Clause to their counter-parties without prior notice. For instance, in Thailand, several local banks suspended their dealing businesses with such foreign banks. The dispute was solved through mediation by Bank of Thailand where such foreign banks ceased including Ring Fence Clause in their

confirmations. However, it is still reported that some foreign banks still include Ring Fence Clause in their confirmations in markets such as Indonesia, Philippines, South Korea, Hong Kong, Taiwan, Singapore, and Australia.

- (3) Similarly, there is an escape clause from sovereign risk in New York State Act.

The Committee decided to monitor the developments of the matter for the time being.

6. Model Code by ACI

Mr. N. Nakajima, chairperson of the Working Group on the Model Code, reported as follows.

- (1) Regarding the draft Model Code, Mr. E. Tan, the chairperson of CFP replied that ACI does not intend to ask the Committee to endorse it, nor to translate it into Japanese.
- (2) Mr. T. Morioka has sent a letter of thanks addressed to Mr. Tan for sending the Model Code to the Committee.
- (3) The Working Group will commence checking the contents of the Code.

The Tokyo Foreign Exchange Market Committee Members' List
(March 17, 2000)

Members

Chairperson:

Mr. Toshiyuki Morioka* (The Bank of Tokyo-Mitsubishi)

Vice-chairperson:

Mr. Takeshi Hanai* (The Industrial Bank of Japan)

Mr. Takashi Okura* (Barclays Bank)

Secretary:

Mr. Masaru Tanaka* (Bank of Japan)

Chairperson of the Sub-committee on Committee Steering:

Mr. Hiromitsu Kato* (The Nomura Trust and Banking Co.)

Chairperson of the Sub-committee on Education and Public Relations:

Mr. Hidenori Watanabe (The Dai-ichi Kangyo Bank)

Chairperson of the Sub-committee on Market Operation:

Mr. Takao Sakoh (UBS)

Chairperson of the Sub-committee on Risk Management:

Mr. Tsutomu Takamatsu* (The Chase Manhattan Bank)

Mr. Hirokazu Note* (The Sumitomo Bank)

Mr. Katsuhiko Sugata* (The Fuji Bank)

Mr. Hiroshi Saito* (The Mitsubishi Trust and Banking Co.)

Mr. Satoshi Matsuda* (Commonwealth Bank of Australia)

Mr. Nao Nakajima* (Standard Chartered Bank)

Mr. Takahiko Takemoto (Deutsche Bank)

Mr. Eiichi Ishikawa* (EBS Dealing Resources Japan)

Mr. Shinichiro Ozaki* (Ueda Harlow)

Mr. Noriaki Kanda* (Reuters Japan)

Mr. Masayuki Takaura* (The Sanwa Bank)

Observers

Mr. Yoshihiko Noguchi* (Money Brokers Association)

Chairperson of the Sub-committee on Legal Matters:

Mr. Kazuo Kobayashi* (Bank of Japan)

Mr. Masamichi Yasuda* (The Bank of Tokyo-Mitsubishi)

Note: * tells those that attended the meeting.