

March 30, 2001

Minutes of the 39<sup>th</sup> Meeting of the Tokyo Foreign Exchange Market Committee

Time and date of the meeting:	13:00-15:00 November 20, 2000
Venue:	Bank of Japan
Chairperson:	Mr. Toshiyuki Morioka (Bank of Tokyo-Mitsubishi)
Vice-chairpersons:	Mr. Takashi Okura (Barclays Bank)
Vice-chairpersons:	Mr. Takeshi Hanai (Industrial Bank of Japan)
Secretary:	Mr. Hirochika Nishikawa (Bank of Japan)
Attending committee members:	16

1. Resignation of Members

Mr. T. Morioka, chairperson of the Committee, expressed the will to resign from the Committee and relinquish his responsibilities as the chairperson of the Committee effective as of the end of this meeting, on the ground of his departure from his current position. Mr. T. Morioka proposed to the Committee that it should elect the new member and the chairperson at the next meeting, and in the interim, Mr. T. Hanai, vice-chairman of the Committee, should be the acting chairperson. The Committee approved the proposals from Mr. T. Morioka.

Mr. T. Morioka reported that Mr. S. Matsuda would resign from the Committee but he was willing to maintain his contribution to the Committee as an observer until the next meeting.

2. Matters Related to the Functioning of the Committee (Steering Sub-committee)

(1) Committee membership and changes in members' employers (M&A, inter-firm transfers, etc.), Committee Representation

Mr. H. Katou, chairperson of the Steering Sub-committee, drew the members' attentions on the following issues.

(i) In case of M&A, the understanding is that no two members from the same firm should sit on the Committee. With the prospective formation of new financial groups, however, it might be advisable to review this understanding as there was an increased likelihood of such duplicate membership. (ii) In case of inter-firm transfers of members, the practice of allowing members to remain on the Committee might be reviewed, in the light of the Committee's new emphasis on the support from employer firms.

(iii) In view of the ongoing consolidation among Japanese firms, the number of members from Japanese firms would be reduced. This might necessitate the Committee to consider adjusting the representation of various business categories of firms on the Committee.

(iv) In order to enhance the activities of the Committee, the strengthening of

sub-committees would be essential. To this end, it might be advisable to formulate clearer rules on the operations of sub-committees.

The Committee decided that:

On M&A related issues (item (i) above), the present understanding to limit membership to one member per financial group should be maintained. Nevertheless, if it is the wish of the resigning member as a result of an M&A, and if the Committee so approves, the resigning member could be granted the status of an observer. Definitional issues would be considered at future meetings of the Committee.

On inter-firm transfers (item (ii) above), a member must resign from the Committee, in case of an inter-firm transfer, resignation or dismissal. This, however, would not bar the resigning member to apply under the member's new status.

On the composition of the Committee (item (iii) above), it was necessary to consider the composition of the members to ensure a balanced discussion into account, but the preferred balance was to be discussed further.

On sub-committees (item (iv) above), members of sub-committees would be appointed by the Committee on the recommendations of the respective chairs of sub-committees.

It was also decided that any remaining issues were to be discussed in the Steering Sub-committee.

## (2) Other matters

(i) Mr. K. Kobayashi (Bank of Japan) reported that the BOJ executive director sent letters to the five new members elected in the 38<sup>th</sup> Meeting, looking forward to their active participation in advancing the cause of the Committee. In this context, it was decided that the Committee itself should also issue letters of appointment to new members (of the Committee and sub-committees) and their superiors.

(ii) It was decided to discuss in the Steering Sub-committee how the relationship with other FX Market Committees could be enhanced.

## 3. The Next FX Seminar

Mr. H. Watanabe, Chairperson of the Sub-committee on Education and Public Relations, reported on the preparation of the next FX Seminar as follows. .

(A) Subject: "Using the Internet in Financial Trading"

Speaker--Sadakazu Osaki (Nomura Research Institute)

“Changes in Market Structure”

Speaker--Hirochika Nishikawa (Bank of Japan)

(B) Venue: Special Meeting Room, Industrial Bank of Japan (Tokyo)

(C) Date: 15<sup>th</sup> January 2001

The Committee decided the Sub-committee on Education and Public relations would play a leading role in the preparation of the Seminar. It was also decided that Mr. H. Watanabe would attend the meeting of Japan FX Club to inform them on the Seminar and to have the club consider possible cosponsorship of the Seminar.

**4. ACI Model Code and the Tokyo Code of Conduct**

Mr. N. Nakajima, chairperson of the Working Group on the Model Code, reported that the Working Group had started reviewing the divergences between the ACI Model Code and the Tokyo Code of Conduct (Orange Book). The first meeting of the Group was held on 15th, November.

**5.RTGS**

Mr. H. Nishikawa (Bank of Japan) reported on the Real Time Gross Settlement (RTGS), which will start on 4<sup>th</sup> January 2001 and explained that no serious concerns had surfaced at the most recent market-wide simulation test. One member noted that although the settlements related to FX trading would remain due at 14:30 PM, some customers had requested to have their leg paid at 9:00 AM.

**6. Other Issues**

**(1)Official Market Opening Time**

Mr. T. Sakoh reported that the following inquiry was received from the Singapore FX Market Committee.

(A) The official opening time of the market is now set at 5:00 AM Sydney Time on Monday. However, in view of the thin market immediately after the opening, it is unproductive to have dealers on the job at that time.

(B) Therefore, the Singapore Committee would like to delay the opening time to 7:00 AM Sydney Time. The Committee asks the opinion of the Tokyo FX Market Committee on this matter.

Mr. K. Kobayashi reported that the issue seemed to have been raised at the Joint Committee of the New York FX Committee and the Singapore FX Market Committee, and the Singapore Committee was probably making inquiries to various Asian FX Committees in this context.

Some members reacted positively this proposed change. But as customers should be

consulted, Members decided to review the issue further in their firms before drafting a final answer.

(2)CFD

Mr. M. Yasuda (Bank of Tokyo-Mitsubishi) reported the experiences of the Bank of Tokyo-Mitsubishi (London) in the CFD testing.

- (i) No evident progress have been seen, and BTM is contributing to the Fixing Rates for 6 currencies only once every day between 10:50~11:00.
- (ii) Though BTM is regularly posting the prices, it seems that some contributors are not doing so.
- (iii) Neither BBA nor Reuters have given BTM any feedback so far.

List of Tokyo Foreign Exchange Market Committee Members

(November 20, 2000)

Members

Chairperson:

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

Vice-chairpersons:

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

Mr. Takashi Okura\* (Barclays Bank)

Secretary:

Mr. Hirochika Nishikawa\* (Bank of Japan)

Chairperson of the Sub-committee on Committee Steering:

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

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

Mr. Hidenori Watanabe\* (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\* (Chase Manhattan Bank)

Chairperson of the Working Group on model Code

Mr. Nao Nakajima\* (Standard Chartered Bank)

Mr. Hirokazu Note (Sumitomo Bank)

Mr. Katsuhiko Sugata\* (Fuji Bank)

Mr. Takahiko Takemoto\* (Deutsche Bank)

Mr. Eiichi Ishikawa\* (EBS Dealing Resources Japan)

Mr. Noriaki Kanda\* (Reuters Japan)

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)

Mr. Satoshi Matsuda (Commonwealth Bank of Australia)

\*Attended the meeting.