

August 21, 2001

Minutes of the 46th Meeting of the Tokyo Foreign Exchange Market Committee

Time and date of the meeting: 10:00-12:00 July 31, 2001  
Venue: Bank of Japan  
Chairperson: Mr. Tomomasa Sumida (Bank of Tokyo-Mitsubishi)  
Vice-chairperson: Mr. Takashi Okura (Barclays Bank)  
Vice-chairperson: Mr. Takeshi Hanai (Industrial Bank of Japan)  
Secretary: Mr. Hirochika Nishikawa (Bank of Japan)  
Attending committee members: 15

1. Activities of Sub-committees

(1) the Sub-committee on Education

In place of Mr. M. Imai, Chairperson of the Sub-committee on Education, who was not present, Mr. H. Note, a member of the Sub-committee, reported on the details of the next FX seminar as follows:

**Date: 3rd September 2001**

**starting at 18:00pm and lasting about 2 and a half hours**

**Venue: Meeting Room, Nomura Securities, Co. (Tokyo)**

**Subject: "Developments in Settlement Business related to FX Trading"**

**Speaker--Taichi Nakata (Sanwa Bank)**

**"Outlook on Market Developments & Hedge-Fund"**

**Speaker--Takeshi Fujimaki (Fujimaki Japan, President)**

The seminar would be announced on the web-site of Tokyo FX Committee, and through hand -outs at the at the FOREX Club General Meeting (8th, August).

(2) the Sub-Committee on Legal Matters

Mr. T. Kanagami, Chairperson of the Sub-committee, reported and proposed as follows.

( ) Concerning the project "98 FX and Currency Options Definitions" user's guide, drafting had been completed and contents have been checked by members. In the coming weeks, consistency of the draft would be checked during August, publication is envisaged for September, and a seminar on the Definitions was planned for November.

( ) Initially, the Sub-committee envisaged that the Guide would be a collaborative project with ISDA. Nevertheless in view of the potentially long delays involved in obtaining clearance from ISDA, it was decided to publish under the auspices of Tokyo FX Committee alone. Concerning ISDA, it was decided to express the Committee's gratitude for its

contribution in the introduction of the Guide.

- ( ) The Sub-committee concluded that it was essential to have the contents of the Guide legally checked by a lawyer to ensure its integrity. Since the cost of such a process would be significant, the Sub-Committee deemed it appropriate to obtain an approval from the Committee, before selecting lawyer and negotiating fees. Consequently, the Committee gave approval for each of the items, and gave the mandate to the chairperson of the Sub-Committee for the selecting of appropriate lawyers.

(3) the Sub-committee on the E-commerce

Mr. H. Note, the chairperson of the Sub-committee, reported and proposed as follows.

- ( ) A Report on the development of e-commerce written by sub group of JSC was received. The best practices concerning internet business, included in the Report was well-written and would be a good reference point.

- ( ) It was essential for the Tokyo FX Market committee to add provisions covering e-business to the Code of Conduct (Orange Book). This would be a cooperative effort

As a result of deliberations, taking it into consideration the fast-changing process of e-business, it was decided that the Sub-committee on E-commerce would focus on monitoring the development of e-business for the time being, and supplying information and highlighting developments to market participants, taking into account the possible addition of Code of Conducts pertaining to e-commerce to the Orange Book. Meanwhile, it was also decided that the priority of the Sub-Committee on Model Code would be to close the gap between the Model Code and the Orange Book. Provisions for new products including e-business and new market practices will be taken up afterwards.

(4) the Sub-committee on Model Code

Mr. Kobayashi, a member of the Sub-Committee, reported as follows and the proposal were approved.

- ( ) Though the Model Code mainly provided that the reporting lines of the front, middle, and back offices must be separated, there are no provisions in the Orange Book, and it was proposed that the Orange Book to contain such provisions.

- ( ) Article 15 of the Orange Book provided that confirmation of trades between back offices would be executed by exchanges of physical documents. But it was desirable to amend this sentence to “encourage the use of electronic media such as S.W.I.F.T”. In addition, the contents of confirmation needed to be specified.

(5) the Sub-committee on T+1

Mr. K. Kobayashi, the chairperson of the Sub-committee, reported and proposed as follows. All of proposals were approved.

( ) The Sub-Committee had completed the draft of the survey (questionnaire) to investigate to what extent fund managers were aware of the “T+1 issue” and managers’ responses. It was requested that Committee members would examine the draft.

( ) After there were no problems concerning the contents of the draft, the questionnaire would be distributed to the members of Investment Trusts Association.

( ) Preceding the survey, Sub-committee and the representatives of the officers of the Committee would like to visit the association.

#### (6)the Sub-committee on CLS

Mr. T.Ichikawa, the chairperson of the Sub-committee, reported and proposed as follows. All of the proposals were approved.

( )It was possible to face a the situation where there was a need to clearly state how the transaction should be settled,--CLS or non-CLS.

( )The Sub-committee was going to conduct fact-finding on the effects of CLS (especially on the front office) and develop recommendations by the Committee, with a view to possible publication.

( ) As for promoting the NDF market, a questionnaire was developed to investigate the needs of firms concerning NDF, and to collect any suggestions. If approved, it would be sent to market participants.

( )In addition, to examine the implications of CLS transactions handled by voice brokers, the Sub-Committee requested that Mr. K.Itou (Tokyo Forex & Ueda Harlow), would attend its meetings.

The questionnaire on NDF (( ) above) was approved and the Sub-committee was tasked to determine who should be asked to answer it. It was also decided, to make use of the list developed by the Sub-committee on T+1, concerning investors. At the same time, some members pointed out that in the course of this effort, it was essential not to jeopardize each firm’s business development efforts.

## 2. Other Issues

### (1)Relations with Overseas committees

Mr. M. Imura reported the following.

<from the Hong Kong FX and Money Market committee>

( ) It would deal with T+1 problem in cooperation with Securities and Futures Commission.

( ) It will adopt the ACI Model Code as the Committee’s code since there was little difference between the two.

( )A joint meeting of FX Market Committees is being organized(Tokyo FX Committee will attend the meeting.).

<from the Singapore Foreign Exchange Market Committee>

FX Joint Market Committee Meeting between Singapore Foreign

Exchange Market Committee and Foreign Exchange Committee in NY(FXC) was planed for October 8th.

(2) Payment information on Broker's confirmation letter

Based on the discussions at the 44th meeting of the Committee and an examination by the Sub-committee on the Model Code, Mr. Y. Noguchi (Money Broker's Association) revisited the issue and explained as follows.

Some brokers had pointed out that the way market players deal with payment information on broker's confirmation letters was often inconsistent with Article 16-1. It was therefore requested that the Committee's views were made known. In particular, there were cases where brokers were requested to supply information on settlement accounts, which was not necessary. To solve this problem that results in unnecessary operation, it was essential for the Committee to form a view, including changing the contents of Article 16, Orange Book, if necessary.

As for this problem, it was, at first, confirmed as Mr. Y Noguchi pointed out, brokers were not requested to supply information on settlement accounts in transaction between Japanese market participants under Article 16 of the Orange Book. Some members of the Committee also pointed out that these market players might be misunderstanding Article 16, and that it might reflect the practices in the market when there was a closing time in the Tokyo Market -- after the closing time inter-bank trades in Japan were treated as off shore transactions. Finally it was confirmed, that it was not desirable to see the contents of Orange Book to be misunderstood or neglected, and that it was necessary to examine alternative wording.

**List of Tokyo Foreign Exchange Market Committee Members  
(July 31, 2001)**

**Members**

**Chairperson:**

**Mr. Tomomasa Sumida\* (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 and Public Relations:**

**Mr. Hiromitsu Kato\* (Nomura Securities)**

**Chairperson of the Sub-committee on Education**

**Mr. Masato Imai (The Sanwa Bank)**

**Chairperson of the Sub-committee on Legal Matters:**

**Mr. Takeshi Kanagami\* (The Mitsubishi Trust and Banking Co.)**

**Chairperson of the Sub-committee on E-commerce:**

**Mr. Hirokazu Note\* (Sumitomo Mitsui Banking Corporation)**

**Chairperson of the Sub-committee on T+1:**

**Mr. Kazunari Kobayashi\* (State Street Bank and Trust Company)**

**Chairperson of the Sub-committee on NDF/CFD:**

**Mr. Toru Ichikawa\* (Fuji Bank)**

**Chairperson of the Sub-committee on the Model Code**

**Mr. Nao Nakajima\* (Standard Chartered Bank)**

**Mr. Takao Sakoh\* (UBS)**

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

**Mr. Noriaki Kanda\* (Reuters Japan)**

**Mr. Kazuo Itoh\* (Tokyo Forex & Ueda Harlow)**

**Mr. Shuji Kawanabe\* (The Chase Manhattan Bank)**

**Mr. Daisuke Kono (Citibank)**

**Observers**

**Mr. Yoshihiko Noguchi\* (Money Brokers Association)**

**Mr. Satoshi Kawazoe\* (Bank of Japan)**

**Mr. Motoshi Imura\* (The Bank of Tokyo-Mitsubishi)**

**Mr. T. Kabe\* (Industrial Bank of Japan)**

**\*Attended the meeting.**