

October 8, 2001

Minutes of the 47th Meeting of the Tokyo Foreign Exchange Market Committee

Time and date of the meeting: 13:00-15:30 September 26, 2001
Venue: Bank of Japan
Chairperson: Mr. Tomomasa Sumida (Bank of Tokyo-Mitsubishi)
Vice-chairperson: Mr. Kazunari Kobayashi (State Street Bank)
Vice-chairperson: Mr. Takeshi Hanai (Industrial Bank of Japan)
Secretary: Mr. Hirochika Nishikawa (Bank of Japan)
Attending committee members: 16

1. Resignation and Election of Members

Mr. T. Sumida, chairperson of the Committee, reported that Mr. T. Okura (Barclays Bank), Mr. D. Kouno (Citibank), and Mr. T. Sakoh (UBS) expressed the will to resign from the Committee (Mr. Okura attended 47th Meeting as an observer).

Next, Mr. T. Sumida reported that he received two applications.

After a review of the applications and presentations by each candidate, a vote was taken. All applicants, listed below, were elected as new members of the Committee.

Mr. Hidehiko Inamura (Citibank)
Mr. Yutaka Kawazoe (Barclays Bank)

Following the conclusions reached by the Sub-committee on Committee Steering held on 26th September, it was also approved that Mr. H. Inamura would take over the position of Chairperson of the Sub-committee on NDF/CFD, which was currently held by Mr. T. Ichikawa (Fuji Bank); and that Mr. Y. Kawazoe would take over that of Public Relations, which was currently held by Mr. H. Kato (Nomura Securities).

And in accordance with Mr. Okura's resignation from the Vice-Chairperson, a vote for Vice-Chairperson was taken. Mr. Kobayashi (State Street Bank) was a candidate and was elected unanimously.

2. Effects of the Terrorist Attacks in the U.S. and Responses in the FX Markets

Concerning the effects of the terrorist attacks in the U.S. to the FX market, it was reported that settlement had almost returned to normal after two weeks. Generally the market got over disturbances aided by the huge infusion of liquidity by central banks. Nevertheless, it was recognized that there seemed to be issues raised, requiring the attention of the Committee, including how to

notify the exercise of options in case the designated offices that received such notices lost their function.

Next, Mr. Sumida introduced the ACI press statement regarding the terrorist attacks on the U.S. and reported the reactions of the Committee as given below.

() As a result of consultations among the officers of the Committee, it was decided not to issue any recommendations to moderate trading. The reason was that such an action might have eroded market liquidity and exacerbated price movements if by market participants were restricted where there was an expectation of trading fluctuation of market prices.

() The information about business activities at markets (FX, equities, and fixed income) of major countries was posted on the web-site of the Committee.

3. Activities of the Sub-Committee

(1) the Sub-Committee on Committee Steering

Mr. H. Kato (Nomura Securities), chairperson of the Sub-Committee, reported and proposed as follows;

() Election of chairperson of Sub-Committees (see above)

() Participants attending a joint meeting of FX Market Committees in Hong Kong

At present Mr. T. Sumida and Mr. H. Kato were planning to attend a joint meeting of FX Market Committee in Hong Kong planned on 22nd November (Mr. H. Nishikawa (Bank of Japan) was also expected to participate.). Since it should be appropriate to have as much as five representatives of the Committee, other members were encouraged to participate.

() Information from the NYFXC

After the terrorist attacks in the U.S., operation managers convened periodic meetings by conference calls. U.S. financial authorities had asked financial firms to report information concerning 19 accounts related to Osama Bin Laden and to voluntarily turn in any information regarding irregular trading activities by their customers.

Concerning the participants for joint meeting of FX Market Committees in HK, it was decided that members would review their schedules.

(2) the Sub-Committee on Public Relations

Concerning the activities of the Sub-Committee on Public Relations, in order to relieve the situation where Mr. H. Watanabe (DKB), the former chairperson on Sub-Committee, continued to give support, it was decided that Mr. Y. Kawazoe would take over the responsibilities as soon as possible.

(3) the Sub-Committee on Education

Mr. M. Imai (Sanwa Bank), the chairperson of the Sub-Committee, reported as follows.

- () Concerning the Forex Seminar held on 8th September, appreciation was expressed for the two speakers, who voluntarily took the podium.
- () There was no shortfalls in the accounting of this seminar.
- () As the next activity, a seminar concerning the user's guide for the "98 FX Definitions", which is now prepared by the Sub-Committee on Legal Matters, was planned (details is given below).

(4) the Sub-Committee on Legal Matters

Mr. Kanagami (Mistubishi Trust), the chairperson of the Sub-Committee, reported as follows.

- () Concerning the project to develop a users' guide for the "98 FX Definitions", the contents of it has already been finalized, including a review by lawyers. To raise awareness of the publication, information on the guide will be sent to market participants by mail. Information will also be pasted on the web-site of the Committee.
- () The seminar about the user's guide for the "98 FX Definitions" was planned as follows,

Date: 26th November 2001
starting at 18:00
Venue: Mitsubishi Trust ,Co. (Sanno Park Tower)
Subject: About the user's guide for 1998 FX and Currency Option
Definitions
Fee: 5,000 yen

Speakers would be from members who developed the user's guide. Information on the seminar would be mailed and posted on the web-site. The seminar would be prepared by the Sub-Committees on Legal Matters and Education.

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

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

- () Since the last meeting, there was no information received.
- () For the purpose of understanding of the future e-trade, a survey was planned about present conditions of the use of FXAll and Atriax.

(6) the Sub-committee on T+1

Mr. K. Kobayashi, the chairperson of the Sub-committee, reported as follows

() The Sub-Committee had completed the survey (questionnaire) to investigate to what extent fund managers were aware of the “T+1 issue” and how they would react. While it seemed from the results that managers responded were conscious of the issue, only a few had developed concrete responses.

() The Sub-committee would continue to examining further the survey results about the relationship between the settlement of securities and that of FX as well as the influence on each market with this result.

(7) the Sub-committee on CLS

Mr. T. Ichikawa, the chairperson of the Sub-committee, reported as follows.

() The Sub-committee meeting planned on September was postponed until October.

() The starting of business for CLS, which was originally planed for February 2002, seemed to have been delayed further. This delay was attributed to the problem in systems development, therefore, participating financial firms were not expected to incur additional costs.

(8) the Sub-committee on NDF

Mr. T. Ichikawa, the chairperson of the Sub-committee, reported as follows.

() Concerning the survey (questionnaire) about NDF's, 74 companies to which the survey are sent were selected in addition to fund managers.

() As the next step, the Sub-committee was going to send this questionnaire to fund managers and above firms

() The contents of the questionnaire would be posted on the web-site of the Committee and that of Japan FX Club for the purpose of maintaining transparency.

(9) the Sub-committee on Model Code

Mr. N. Nakajima, the chairperson of the Sub-committee, reported as follows.

() Concerning the chapters 7 and 8 of the Model Code, The Sub-committee developed a list of items which were contained in Model Code but not in the Orange Book (Code of Conduct).

() In the course of revision of the Orange Book, it would be essential to pare down the provisions about voice-brokers ,which were used less often.

() The Sub-committee would continue examining how to add items about e-trade particularly with customers and the inter-bank trade

particularly through EBS.

() Chapter 8 on transparency of business contained so much provisions not related to the FX market and therefore it was decided not to add them to Orange Book.

() Mr. T. Okura, former vice chairperson of the Committee, would continue to participate concerning chapter 9 and 10, to finish the revision of the Orange Book by the end of this year.

4. Other Issues

(1) Payment information on Broker's confirmation letters

Based on the discussions at the 46th meeting of the Committee, Mr. Noguchi (Money Broker's Association) reported and raised issues as follows.

() Concerning the problem that there were cases where brokers were requested to supply information on settlement accounts, which was not necessary, minutes of the 46th meeting posted on the web-site of the Committee contributed to convincing the customers.

() Meanwhile, there remained cases where brokers were requested to supply information on settlement accounts of dollar call options. This was thought to be attributed to the fact that back office operations were located abroad. This issue needed further consideration.

Consequently, a consensus was formed that it was necessary to develop a solution including the revision of chapter 16 of Orange Book as discussed at the 46th meeting.

(2) Concerning the establishment links from web-site of Hong Kong FX and Money Market Practices Committee

Hong Kong FX and Money Market Practices Committee proposed that on their new-established web-site they would establish a hyperlink to the web-site of the Committee and it was approved.

**List of Tokyo Foreign Exchange Market Committee Members
(September 26, 2001)**

Members

Chairperson:

Mr. Tomomasa Sumida* (Bank of Tokyo-Mitsubishi)

Vice-chairpersons:

Mr. Takeshi Hanai* (Industrial Bank of Japan)

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

Secretary:

Mr. Hirochika Nishikawa* (Bank of Japan)

Chairperson of the Sub-committee on Committee Steering

Mr. Hiromitsu Kato* (Nomura Securities)

Chairperson of the Public Relations

Mr. Yutaka Kawazoe* (Barclays Bank)

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 CLS:

Mr. Toru Ichikawa* (Fuji Bank)

Chairperson of the Sub-committee on NDF/CFD:

Mr. Hidehiko Inamura* (Citibank)

Chairperson of the Sub-committee on the Model Code

Mr. Nao Nakajima* (Standard Chartered Bank)

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)

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.