

May 20, 2002

Minutes of the 52nd Meeting of the Tokyo Foreign Exchange Market Committee

Time and date of the meeting:	13:00-15:30 March 26, 2002
Venue:	Bank of Japan
Chairperson:	Mr. Tetsuji Ogino (Bank of Tokyo-Mitsubishi)
Vice-chairperson:	Mr. Kazunari Kobayashi (State Street Bank)
Vice-chairperson:	Mr. Katsuhiko Oda (Industrial Bank of Japan)
Secretary:	Mr. Hirochika Nishikawa (Bank of Japan)
Attending committee members:	16

. Resignation and Election of Members

Mr. K. Kobayashi (State Street Bank and Trust Company), acting chairperson of the Committee, reported that Mr. T. Sumida (Bank of Tokyo-Mitsubishi), Mr. K. Hanai (Industrial Bank of Japan), and Mr. T. Kabe (Industrial Bank of Japan) expressed their wish to resign from the Committee. Next, Mr. K. Kobayashi reported that he received applications from Tetsuji Ogino (Bank of Tokyo-Mitsubishi) and Katsuhiko Oda (Fuji Bank).

After reviewing the applications and speech by each candidate, a vote was taken. Both were elected as new members of the Committee.

Following the resignation of the chairperson and vice chairperson, votes for both positions were taken, and Mr. T. Ogino (Bank of Tokyo-Mitsubishi) and Mr. K. Oda (Fuji Bank) were elected unanimously.

. Revision of the Code of Conduct

Concerning the revision of the Code of Conduct, Mr. N. Nakajima, the chairperson of the Sub-Committee on Code of Conduct, reported on the result of the Sub-Committee meeting held on March 20, and suggested a blueprint for the revision as follows:

- (1) Put an article obligating "All staff to observe the Code of Conduct to maintain the morals of high standard for the fair and sincere trading." at the beginning of the Code of Conduct.
- (2) Stipulate recommendation for concluding master agreements. Attaching lists of recommendable master agreements considerable.
- (3) Definition of the trading time.
- (4) Revise the provisions concerning Confirmation procedure (Article 15) and Methods of funds delivery (Article 16) entirely, taking in the introduction of new systems such as RTGS.
- (5) Simplify the article concerning relation between dealers and brokers

(Article 21) in consideration of declining significance of transactions via voice brokers.

- (6) Revise the article concerning Stuffing (Article 22) in line with current market practice.
- (7) Stipulate new articles concerning e-trading, instead of “Notes” in the present Code. Contents of these articles would take into account features of the multi dealer portal systems such as Fxall and Atriax, and inter-bank e-broking systems. The E-commerce Sub-Committee would be in charge of this work.
- (8) If CLS were successfully launched during the revision procedure, related articles would be added.

After deliberation, this blueprint for revision was approved.

In addition, the Committee discussed about how to respond to inquiries concerning the Code of Conduct from market participants. The following were agreed:

- (1) As the drafter of the Code of Conduct, the Committee would try its best to answer practically.
- (2) As a first step, the Sub-Committee on Code of Conduct would prepare a draft of replies for inquiries.
- (3) The Sub-Committee would submit the draft for the Committee’s approval.
- (4) If the Committee approved the proposed answers, chairperson on the Sub-Committee would answer the inquiry on behalf of the chairperson of the Committee.
- (5) Concerning the contents of the answer and any subsequent reactions from the inquirers, the Sub-Committee would report to the Committee meeting and a record would be kept.
- (6) If necessary, opinions of outside organizations like tax-authorities would be inquired.
- (7) The Committee would also explain to the inquirer that the Code of Conduct was a compilation of practical and preferred suggestions based on FX market, and its stipulations were not legally binding.

. Activities of Sub-committees

(1) the Sub-committee on Education

Concerning the next Forex Seminar, Mr. M. Imai(UFJ Bank), the chairperson on the Sub-Committee, reported as follows.

- (1) The seminar was planned to be held on 27th May.
- (2) As the seminar aimed at new recruits to the trading floor, lectures would focus on the basics for FX market analysis. Lecturers would be

selected from strategists, economists and chartists.

...The Committee members were requested to nominate candidates for lecturers.

(2) the Sub-Committee on E-commerce

Concerning "Electronic Trading Forum", which was held at the N.Y.Fed on 26 February, Mr. H.Note (Sumitomo Mitsui Banking Corporation), the chairperson of the Sub-Committee, reported as follows.

- (1) The delegates from the multi-portal systems such as Fxall, Atriax, and Currenex, and their users (non-financial corporation) held a panel-discussion.
- (2) Operators of the systems pointed out advantages of multi-portal systems as follows: (a) rapid trade execution, (b) mitigating operational burdens through STP, (c) efficient processing of small lot trades for Banks, (d) gathering information efficiently.
- (3) The following remarks of the users appear noteworthy: (a) The main objective in adopting the multi-portal systems was to reduce the cost of back-office by utilizing STP, (b) The users did not necessarily feel that their ties with banks weakened since they maintained contacts with dealers of banks for special trades such as NDF's.

(3) the Sub-Committee on T+1

Mr. K. Kobayashi (State Street Bank and Trust Company), the chairperson of the Sub-Committee, reported as follows.

- (a) Now that the draft of the discussion paper on the T+1 issue was completed, the Sub-Committee would like the Committee to endorse the draft paper.
- (b) If it was endorsed, the Sub-Committee would send the report to NYFXC, the companies to which the Committee sent the questionnaire, and industry groups concerned such as the Investment Trust Association.

As a result of deliberation, the Committee endorsed the paper. It was decided that after the publication of the paper, the Sub-Committee would begin contacts with institutions and organizations concerned in order to enhance discussion about this issue.

(4) the Sub-Committee on NDF

Mr. H. Inamura (Citi Bank), the chairperson of the Sub-Committee, reported that some members of the Sub-Committee had continued interviews with institutional asset managers and summed up the results of the interviews conducted so far as follows.

- (a) There seemed to be differences in the attitudes toward NDF between asset managers.

---The difference appeared to reflect the difference among the marketplaces where investments were conducted and the view on the accounting burden for dealing with NDF transactions as a specified asset class.

(b) Most of the currencies planned to be transacted were those of Asian countries, especially KRW and TWD.

(c) The object of using NDF was mainly hedging.

---Commonly expressed views were that taking the accounting burden into consideration, speculative trading of NDF brought little profit.

(d) There still remained a number of practical problems about standardization of contract documentation and procedure for determining the reference rate, etc.

. Other issues

(1) Revision of the FX control law to require identifying counterparties

Mr. H. Nishikawa (Bank of Japan), secretary of the Committee, reported that the Japanese Ministry of Finance submitted to the Diet a bill on identifying counterparties in FX trading. It was noted that the Committee should cooperate with the authorities from the standpoint of front office dealers in the process of determining detailed legal rules so that the new procedures, including timing and methods for identification would not obstruct smooth functioning of the market. As a result of deliberations, it was decided that the Sub-Committee on Legal Matters would play a core role for tackling with this issue.

(2) Drills on message transmission in contingencies

Mr. M. Imura (Bank of Tokyo-Mitsubishi), reported that the drills on message transmission by phone in contingencies had been conducted on 27th February. The drill proceeded smoothly including dealing with the case of absence of a few members. It was then proposed that the drills with various communication channels, and drills without a prior announcement would be conducted in the near future, and it was approved.

(3) Overseas FX Committee

Mr. N. Nishikawa reported that he visited Seoul FXC on March 14 and exchanged views and information regarding activities of the Committees. Establishing a close communication channel between the two Committees by exchanging contact list was agreed.

List of Tokyo Foreign Exchange Market Committee Members
(26 March, 2002)

Members

Chairperson:

Mr. Tetsuji Ogino* (Bank of Tokyo-Mitsubishi)

Vice-chairpersons:

Mr. Katsuhiko Oda* (Fuji Bank)

Mr. Kazunari 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 UFJ 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 Code of Conduct

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. Yukio Matsuno (The JP Morgan Chase Bank)

Observers

Mr. Yoshihiko Noguchi* (Money Brokers Association)

Mr. Satoshi Kawazoe* (Bank of Japan)

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

*Attended the meeting.