

August 25, 2002

Minutes of the 54th Meeting of the Tokyo Foreign Exchange Market Committee

Time and date of the meeting: 13:00-14:30 May 23, 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 (Mizuho Corporate Bank)
Secretary: Mr. Hirochika Nishikawa (Bank of Japan)
Attending committee members: 16

. Election of Members

Mr. T. Ogino (Bank of Tokyo Mitsubishi), Chairperson of the Committee, reported that he received an application for membership from Mr. T. Nashimoto (Barclays Bank). He also reported that the term of Mr. H. Nishikawa (Bank of Japan) as a Committee Member had expired, and that he had expressed his wish to serve for another term.

After reviewing the applications and presentations by both candidates, a vote was taken, and the candidates were unanimously accepted as members of the Committee.

.Revision of the Foreign Exchange and Foreign Trade Law (FX Law) to require confirmation of the identities of counterparties

Concerning the revision of the FX law to require confirmation of the identities of counterparties, Mr. T. Kanagami(The Mitsubishi Trust and Banking Co.),Chairperson of the Sub-committee on Legal issues, reported as follows.

The Sub-Committee and the officers of the Committee are, together with the Japanese Bankers Association, continuing to provide practical and technical information to MOF and FSA, and discussing issues with them in order to avoid as much as possible any confusion or disruptions to trading activity in conjunction with the introduction of the new requirements.

After the above report, the Committee discussed how it could further enhance cooperation with authorities on this issue. It was decided that, working mainly through the Sub-Committee, the Committee would support work on developing detailed regulation which would effectively enable institutions to confirm the identity of counterparties without disrupting market activity.

. Maintaining the activity level of the members

Concerning ways to maintain the active participation of Committee members, Mr. H. Kato (Nomura Securities), Chairperson of the Sub-Committee on Committee Steering, reported as follows based on the Sub-Committee meeting held on 16th May (the proposal was unanimously approved).

As matters dealt by the Committee have increased, the Sub-committee believed it was necessary to develop certain procedures to maintain the active participation of members and to better balance the work load among members. Specifically the following three steps were proposed.

(1) Agreement for maintaining member activity levels

- Develop absence rules for the Committee meetings
- Clarify steps to be taken regarding members which have not actively participated in Committee activities for longer periods
- Ensure the recommender of a candidate understands the functions expected of a Committee member.

(2) Procedure for removal of a member

Clarify the procedure for the removal of a member (Clearly state that low participation in Committee activities can be grounds for removal)

(3) Note on "Expected activities of a member"

Develop a note summarising the typical activities of the Committee which would be put on the website and also be presented to applicants and recommenders.

. Activities of Sub-committees

(1) Sub-Committee on Education

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

(1) Date: 27th May

Starting at 18:00pm and lasting about 2 1/2 hours

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

(3) Subject: " How to read the FX market"

Speaker -- Masayuki Kichikawa (Asahi Life Asset Management,
Co)

-- Yasushi Hayashi (Daiwa Asset Management, Co)

(4) Fee: 5,000 yen

(2) Sub-Committee on CLS

Mr. T. Ichikawa (Mizuho Bank), Chairperson of the Sub-Committee, reported as follows based on the recent Sub-Committee meeting.

(1) Since CLS issues covered a wide range of items beyond the front office, in

order to ensure efficiency in discussions, a meeting was set up where front office members, back office members, and the CLS Users Group members all attended. It was decided that the meeting of those members would be held on May 17th and that contact points would be established in order to enhance communication among sections.

(2) At the meeting, it was found that, although the launch of CLS was nearing, each group had various issues to resolve and were having difficulty in obtaining information on developments in other areas. (The present situation of each group is given below). Taking this into account, it was decided that close contact should be maintained among different groups including holding joint meetings.

(a) Brokers' back office

The Brokers side was planning necessary IT related work to ensure an efficient operating environment, but had not been able to decide specific operation flows due to lack of information..

(b) CLS Users Group

Though the best practice for CLS was globally adapted to all CLS participants, the Users Group was also establishing local best practice guidance that would take into account the situation of each region. Since advice from the front/back office members would become essential, it was necessary to set up contacts with them.

(c) Banks' back office

It was difficult to provide detailed information on CLS since the small groupings of CLS settlement members was still undecided.

(3) Sub-Committee on Code of Conduct

Mr. K. Kobayashi (State Street Bank), of the Sub-Committee, reported as follows on behalf of Mr N. Nakajima (Standard Chartered Bank), the Chairperson of the Sub-Committee (who was absent from the meeting).

(a) The chapter concerning E-commerce was examined based on the draft prepared by the Sub-Committee on E-commerce. The draft would basically be adopted. However, detailed wording may be modified to make it consistent with other chapters.

(b) The draft of the revised Code of Conduct would be finished as soon as possible. It would be presented to the Committee for comment.

(c) Review of consistency issues between the Code of Conduct and Model Code would continue. For example, the difference between the market practice concerning HRR and the Code was reviewed.

(4) Sub-Committee on T+1

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

- (a) The “Report on the T+1 Settlement Issue” was at its final stages.
- (b) The U.S. SIA now thought the Business Continuity Plan (BCP) is a critical issue in light of the 9/11 terrorist attack. The SIA felt it needed to inject resources to review BCP and reexamine the validity and feasibility of T+1 based on the discussions surrounding BCP. Thus at present the T+1 settlement of securities was under reconsideration.

(5) Sub-Committee on NDF’s

Mr. H. Inamura (Citibank), the Chairperson of the Sub-Committee, reported as follows.

As a result of the research into the conditions of the NDF market of Korean Wong (KRW), which was thought to be the most actively traded NDF currency in Asia, the following points became clear.

- (a) 70%-80% of USD/KRW NDF trading was related to business related demand from corporates and funds, and the rest was speculative.
- (b) Key business related demand reflected the hedging needs of non-resident equity funds followed by hedging needs stemming from direct investment activity.
- (c) Speculative activity was conducted mainly by hedge funds but also by foreign banks.

. Other Issues

(1) Money Brokers Association reference rate

Mr. Y. Noguchi (Money Broker’s Association), observer of the Committee, reported as follows.

As a result of the revision of the FX accounting standards by the Japanese Bankers Association, each market participant will have to survey the market rate for forward trading. Since it is difficult for small financial firms to take this measure, the Money Brokers Association has begun from April to release swap spread, FX option volatility and JPY interest rate market data.

(2) Inquiry from Moscow Interbank Currency Exchange (MICEX)

Mr. M. Imura (Bank of Tokyo Mitsubishi), observer of the Committee, reported he had received and replied to an inquiry from MICEX about market practices in the Tokyo FX market. He also reported that the Committee was going to strengthen its contacts with overseas FX Committees in this way.

List of Tokyo Foreign Exchange Market Committee Members
(18 April, 2002)

Members

Chairperson:

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

Vice-chairpersons:

Mr. Katsuhiko Oda* (Mizuho Corporate 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. Noriaki Kanda* (Reuters Japan)

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* (Mizuho 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. Tadahiko Nashimoto (Barclays Bank)

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

Mr. Kosuke Hanao* (The Royal Bank of Scotland)

Observers

Mr. Yoshihiko Noguchi* (Money Brokers Association)

Mr. Satoshi Kawazoe* (Bank of Japan)

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

Mr. Koichi Takenaka* (Mizuho Corporate Bank)

*Attended the meeting.