

October 25, 2002

Minutes of the 56th Meeting of the Tokyo Foreign Exchange Market Committee

Time and date of the meeting: 13:00-15:30 July 24, 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. Satoshi Kawazoe (Bank of Japan)
Attending committee members: 15

. Election and Resignation of the Members

Mr. T. Ogino (Bank of Tokyo-Mitsubishi), Chairperson of the Committee, reported that Mr. H. Nishikawa (Bank of Japan), Secretary of the Committee, has expressed his wish to resign from the Committee and that he has also received an application from Mr. S. Kawazoe (Bank of Japan).

After reviewing the applications and presentations by the candidate, a vote was taken, and the candidate was elected unanimously as a new member of the Committee. Concerning the vacancy of the Secretary, and of the membership of the Sub-Committees on NDF's and CLS, resulting from the resignation of Mr. H. Nishikawa, it was decided that Mr. Kawazoe would take up these positions.

. Revision of the Code of Conduct

Mr. N. Nakajima (Standard Chartered Bank), Chairperson of the Sub-Committee on Code of Conduct, reported on the outcome of the Sub-Committee meeting held on July 18.

The revision of the Code of Conduct was at its final stages. The main remaining areas were the two appendices; (a) Market terminology and definitions and (b) Basic trading operations and important points on market etiquette. Other remaining issues were as follows.

- (1) The Sub-Committee would like to include a provision on measures to be taken in case of disaster situations.
- (2) A provision concerning money laundering was developed taking into consideration the new law on customer identity confirmation. The inclusion of a provision on know-your-customer rules was an item for further discussion.
- (3) The draft of the provisions concerning E-broking covering both interbank transactions as well as customer transactions has been prepared and the Chairperson of the Sub-Committee on E-commerce has been requested to review its contents.

As a result of discussions, all proposals included in the above report were approved and each Committee member was requested to submit their comments on the current draft by the end of August. In addition, following up on the discussions at the last meeting, it was decided to outsource the preparation of the English translation of the Code.

. Expanded Sub-Committee meeting on CLS

Mr. T. Ichikawa (Mizuho Bank), Chairperson of the Sub-Committee, reported and proposed as follows based on the expanded Sub-Committee meeting on CLS held on 16th July. All proposals were approved.

- (a) Respective back-office staff from Committee member institutions prepared answers to the note “Questions and requests concerning the introduction of CLS” prepared by the volunteers from the brokers community. The brokers community, back-office staff of the banks, and the CLS user’s group joined in the discussions at the expanded Sub-Committee meeting and this contributed to resolving the questions which had been raised.
- (b) The final draft of Sub-Committee’s paper “Issues regarding the introduction of CLS” has been completed. A meeting of the main Committee to review the paper was proposed for 8th August.
- (c) After completion of the above paper, the Sub-Committee on CLS would like to focus on practical problems which are likely to arise after the actual introduction of CLS, such as issues related to the Code of Conduct.

. Activities of Sub-Committees

(1) Sub-committee on Committee Steering

Mr. H. Kato, Chairperson of the Sub-Committee, reported and proposed as follows based on the Sub-Committee meeting, and the proposals were approved.

- (a) Mr. T. Nashimoto (Barclays Bank) would join the Sub-Committees on CLS and E-Commerce.
- (b) Concerning securities settlement in the US, the SIA has decided to focus on the introduction of STP in all securities markets over the next two years and then review in 2004 the necessity of introducing T+1 settlement. Reflecting this situation and the fact that the T+1 Report has been completed, the T+1 Sub-Committee would be dissolved.
- (c) In order to rejuvenate the activities of the Sub-Committees and to promote wide participation from the market, the Committee should review the structure and membership of the Sub-committees during the summer period.

(2) Sub-Committee on Legal Matters

Mr. T. Kanagami (Mitsubishi Trust and Banking Co.), Chairperson of the Sub-Committee reported on the Sub-committee’s activity surrounding the

introduction of the Customer Identity Confirmation Law. In order to ensure smooth market transactions, the Sub-Committee was engaged in active dialogue with the Financial Services Agency in developing the selected Cabinet Order and Ordinances.

(3) Sub-Committee on Public Relations

Concerning the future plans for the Sub-Committee, Mr. N. Kanda (Reuters Japan), Chairperson of the Sub-Committee, reported that it planned to improve the Committee website by introducing more links with overseas institutions and by preparing a page to introduce the Committee's aim and status of current activities.

(4) Sub-Committee on NDF

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

- (a) The draft of the glossary covering NDF transactions for the Code of Conduct has been prepared. The Sub-committee will work together with the Sub-Committee on Code of Conduct to finalize this section.
- (b) A joint meeting with the Sub-Committee on Legal Matters is planned to review the issue of confirmation procedures for NDFs which was discussed at the last Committee meeting.
- (c) Concerning information on the closure of the FX market in Argentina and the usage of NDFs during disruptions in the markets caused for example by events such as the terrorist attack in the US, the Sub-committee has requested the Bank of Japan to look into these matters.
- (d) The Sub-committee will prepare a report on its activities based on the work above.

List of Tokyo Foreign Exchange Market Committee Members
(24 July, 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. Satoshi Kawazoe* (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. Takashi 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 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 Nahimoto* (Reuters Japan)

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

Mr. Kosuke Hanao (The Royal Bank of Scotland)

Observers

Mr. Yoshihiko Noguchi* (Money Brokers Association)

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

Mr. Koichi Takenaka* (Mizuho Corporate Bank)

*Attended the meeting.