

September 26, 2003

**Minutes of the 62nd Meeting
of the Tokyo Foreign Exchange Market Committee
(TFXMC)**

Time and date of the meeting: 13:00-15:15 March 26, 2003
Venue: Bank of Japan
Chairperson: Mr. Tetsuji Ogino (Bank of Tokyo-Mitsubishi)
Vice-chairperson: Mr. Kazunari Kobayashi (State Street Bank)
Vice-chairperson: Mr. Akio Kashima (Mizuho Corporate Bank)
Secretary: Mr. Satoshi Kawazoe (Bank of Japan)
Attending committee members: 17

. Resignation and Election of Members

- 1) Mr. H. Kato (Nomura Securities), Chairperson of the Sub-Committee on Committee Steering, presented the clarification of the procedure for the election of Committee members which was confirmed.

The Committee will continue not to set conditions on membership such as “only one member per one financial group”. The Sub-Committee on Committee Steering will review membership applications, based on factors including experience, motivation and support from the applicant’s institution, while taking into consideration purposes of the Committee spelled out in the bylaws.

- 2) Mr. T. Ogino (Bank of Tokyo-Mitsubishi), Chairperson of the Committee, reported as follows.

The term of Mr. T. Ichikawa (Mizuho Bank) as member of the Committee had expired, and he expressed his wish to serve for another term.

Mr. E. Ishikawa (EBS Dealing Resources Japan) expressed his wish to resign from the Committee.

Mr. Ogino received membership applications from Mr. K. Takeda (The Mitsubishi Trust and Banking Co.) and Mr. K Oki (EBS Dealing

Resources Japan).

After review of the applications by Committee members and presentations by the candidates, votes were taken, and the candidates were elected unanimously as new members. Concerning the vacancy of Chairperson of the Sub-committee on Legal Matters and Chairperson of the Sub-committee of CLS, it was decided that Mr. Takeda would take up the former position and Mr. Ichikawa was reelected to the latter position.

- 3) Mr. Kato, Chairperson of the Sub-Committee on Committee Steering, expressed his wish to resign from the Committee. Mr. H. Note announced his candidacy to chair the Sub-committee and was elected unanimously.

. Revision of Code of Conduct

- 1) Mr. N. Nakajima (Standard Chartered Bank), Chairperson of the Sub-Committee, presented the following revisions by the Sub-Committee which were approved. Then the draft was adopted as the final version of the main text of the revised Code of Conduct.

It would be explicitly stipulated that the transacting party which hits a firm price will also have to clearly specify the transaction amount for transactions conducted through brokers. This is to maintain consistency with a similar obligation for dealers quoting firm prices (Article 14 of the current Code.)

- 2) The Chairperson also presented the plans for finalizing the appendices. (1) The Sub-Committee on NDF will review the text in Section "TERMINOLOGY RELATED TO NDF"; (2) comments will be requested on Section 1) "MISLEADING EXAMPLE"; and (3) the Sub-committee will prepare a draft on "BASIC TRADING OPERATIONS AND IMPORTANT POINTS ON MARKET ETIQUETTE". The results of the work in these areas will be presented at the next meeting of the Committee.
- 3) Concerning English translation of the Code of Conduct, it was agreed to have the Sub-Committee to select a translator.

. Activities of Sub-Committees

(1) the Sub-Committee on CLS

Mr. T. Ichikawa (Mizuho Bank), Chairperson of the Sub-Committee, provided his report and proposals. The proposals were approved.

- 1) Concerning the recent computer system problems at CLS Bank, the Sub-Committee plans to request the Tokyo office of CLS Bank to provide a written explanation on the cause of the trouble.
- 2) The Sub-Committee received a comment from the London FX Joint

Standing Committee (FXJSC) on “Issues regarding the introduction of CLS” published by TFXMC. FXJSC generally agreed with the document but pointed out that update of settlement information in electronic brokerage systems is voluntary and wording ‘must’ used in the text below seemed to be too strong.

1.3 “CLS member banks must update settlement information in their electronic brokerage systems in advance; “

The Sub-Committee concluded that the expression had been inadvertently been strengthened through the English translation process and planed to revise the expression and send a letter explaining the modification.

(2) Sub-Committee on Committee Steering

Mr. Kato (Nomura Securities), ex-Chairperson of the Sub-Committee on Committee Steering, reported and presented points below. All proposals were approved.

- 1) Mr. Takeda will take part in the Sub-Committee on Legal Matters as chairperson and the Sub-Committee on Code of Conduct and Mr. Oki will take part in the Sub-Committee on education and CLS.
- 2) The Sub-Committee received a questionnaire from the Hong Kong FX Market Committee concerning organizations and activities of TFXMC and plans to send a response.
- 3) Considering the need to continuously gather and review information related to the revision of Code of Conduct, the Sub-Committee on Code of Conduct will become a standing sub-committee.

(3) Sub-Committee on Public Relations

Mr. Y Nakata (Bank of Japan) presented a proposal on the criteria for allowing links to the Committee’s website which was approved.

Interbank market participants would, in principle, be free to set up links with their corporate websites. In other cases, it would be decided taking into consideration the goals, role and public nature of the Committee.

Since, in practice, it would not be possible to prevent entities from linking their websites to the Committee’s, the need for measures against cases where entities may try to use the Committee website to legitimize their profit making activity. As one step, it was suggested that Article 3 of the bylaws on the Committee’s purposes be posted on the Committee website.

(4) Sub-Committee on Education

Mr. M. Imai (UFJ Bank), Chairperson of the Sub-Committee, expressed his wish to present a proposal at the next meeting for a seminar to be conducted later in the spring

(5) Sub-Committee on NDF

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

1) Concerning the NDF overseas survey

The Sub-Committee has received replies from four of the 14 banks to which the survey was sent.

All of the respondents are banks that trade NDFs and plan to increase trading volume. Three respondents are hopeful about the future of NDF market.

Similar to domestic institutions, volume of trades in Taiwan dollar and Korean Won are high.

All respondents deal through brokers as well as conducting direct deals.

All of respondents use confirmation letters. Half of them also use SWIFT.

Few banks received signed confirmation letters and most did not send back confirmation letters as well.

Three banks supported the idea of standardizing confirmations. Two banks supported inclusion of NDF rules in the Master Agreement.

2) Future steps

Continue follow-up of overseas NDF survey

Consider how cooperation with overseas FX market committee can be enhanced on this topic.

. Other issues

1) Mr. Kawazoe (Bank of Japan) reported on an Australian analysis concerning the issue of 5 am opening time of Sydney market on Mondays. The Committee has been aware of views noting that prices in the Sydney market on Monday early morning sometimes moved erratically due to market participants chasing option triggers / stop-losses extremely light in volumes. It was agreed that the Sub-committee on Market Research would take up this matter.

2) Concerning the handling of inquiries, it was confirmed that chairperson of the Sub-Committee which covers the matter would decide on how to respond to such situations. There would be three possibilities.

The Chairperson would respond based on his judgement and report afterwards to the Committee.

The Chairperson would respond after discussions at the Sub-Committee and report later on to the Committee.

The Chairperson would answer after the Sub-Committee's proposal is approved by the Committee.

List of Tokyo Foreign Exchange Market Committee Members
(26 March, 2003)

Members

Chairperson:

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

Vice-chairperson and Chairperson on Market Research:

Mr. Akio Kashima* (Mizuho Corporate Bank)

Vice-chairperson

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

Secretary:

Mr. Satoshi Kawazoe* (Bank of Japan)

Chairperson of the Sub-committee on Committee Steering and E-commerce:

Mr. Hirokazu Note* (Sumitomo Mitsui Banking Corporation)

Chairperson of the Public Relations

Mr. Noriaki Kanda (Reuters Japan)

Chairperson of the Sub-committee on Education

Mr. Masato Imai* (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 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. Hiromitsu Kato* (Nomura Securities)

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

Mr. Hirokazu Oki* (EBS Dealing Resources Japan)

Mr. Tadahiko Nashimoto* (Barclays Bank)

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

Mr. Masayoshi Takegawa (Merrill Lynch Japan Securities)

Observers

Mr. Yoshihiko Noguchi* (Money Brokers Association)

Mr. Yoshinori Nakata* (Bank of Japan)

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

Mr. Koichi Takenaka (Mizuho Corporate Bank)

*Attended the meeting.