（ORANGE BOOK 2008 EDITION）

CODE OF CONDUCT

September 2008

THE TOKYO FOREIGN EXCHANGE MARKET COMMITTEE
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FOREWORD

After five years from the publication of the *2003 Revised Version of Code of Conduct (Orange Book)*, we revised the *Code of Conduct* again and we are now publishing a revised edition of the Code of Conduct. I remember each and every *Code of Conduct* published in the past was a great work, but in particular 2003 version was a remarkable achievement of the committee which had spent a considerable time on it and reflected the most recent market situations as much as possible. However, when I read the version now, I cannot help thinking of the developments over the five years.

When the Subcommittee members started reviewing it, the first thing they had to question was the definition of words such as “foreign exchange market” and “market participants”. Over the five years the market has so much changed its shape, expanded and grown to a massive body which involves a much larger number of markets and participants that even the basic financial terms as above need to be redefined. This required us to start the revisionary work from reconsidering the basic standpoint: which items we should cover and to whom we send the message via this book.

As we read on to amend the descriptions of the old book, we found clauses that clearly reflect the economic background of the market at that time, from which we could see important themes in that market, such as settlement system provided by CLS Bank International, verification of identity and NDF transaction. While this book approaches such themes as the old book, it also covers new topics including “development of electronic trading” which is going on in the market. In doing so, we felt the needs to make revisions more often in accordance with the changing market.

This revised version is available only on the website of the Market Committee, and not in the form of publication. We felt sorry for stopping publication of the *Code of Conduct,* commonly known as *Orange Book*, which currency dealers have long used on their desks, but concluded that this is the most appropriate way to reflect the situation of ever changing market in the *Code of Conduct*. We hope that the *Revised Version of Code of Conduct* will be read as widely as before under the common name.

Finally, I would like to express my deep appreciation to the Chairman of the Subcommittee on the Code of Conduct, Mr. Koichi Yoshikawa (BNP Paribas Bank) who has led us with strong leadership to produce this revision, and to the members of this subcommittee, including Mr. Kazuyoshi Uchiyama (Mizuho Corporate Bank, Ltd.), Mr. Tetsuya Inoue (Bank of Japan), Mr. Ryuichi Atsuta (Bank of America, N.A.), Mr. Shogo Nagaya (Nomura Securities Co., Ltd.), Mr. Masashi Kobayashi (Sumitomo Trust and Banking Co., Ltd.), Mr. Atsushi Komatsu (Mizuho Bank, Ltd.), Mr. Yoshihiko Noguchi (Money Brokers Association), Ms. Mayumi Takahashi (Mitsubishi UFJ Trust and Banking Corporation) and Mr. Tatsuya Ishikawa (Bank of Tokyo-Mitsubishi UFJ, Ltd.). I would also like to express my appreciation to a number of people who provided this Committee with valuable opinions, and to ACI Japan, which offered continuous support to the revision process.

September, 2008
Tokyo Foreign Exchange Market Committee
Satoshi Inoue, Chairperson

CHAPTER I　BASIC ISSUES

ARTICLE 1　OBSERVANCE OF THE CODE OF CONDUCT

In order to maintain high ethical standards in relation to honest and fair transactions, those who are engaged in foreign exchange and money market transactions in the interbank foreign exchange and money markets (hereinafter referred to as the “interbank markets”) should observe this Code of Conduct.

ARTICLE 2　RESPONSIBILITIES OF MANAGEMENT

Management of interbank market participants is responsible for controlling the activities of all personnel engaged in interbank market operations.　Management is also responsible for clearly setting out in writing and publicizing the authorities and responsibilities of the dealers (see Note) and brokers (see Note).　These should include:

a) general dealing policy including reporting procedures;
b) personnel authorized to deal;
c) instruments to be dealt in;
d) verification of the identity of counterparties and the creation and storage of such verification records; (see Article 15: Money laundering and verifying the identity of counterparties)
e) compliance with market risk limits, such as position and stop-loss limits;
f) compliance with credit lines for counterparties;
g) confirmation and settlement procedures;
h) relationship with counterparties (banks/other financial institutions, brokerage firms and customers);
i) business continuity planning;
j) other relevant guidance as considered appropriate to be explicitly stated.

(Note)　In this Code of Conduct, “banks/other financial institutions” and “brokerage firms” denote an organization while “dealers” and “brokers” denote individuals.

ARTICLE 3　OBLIGATIONS OF STAFF MEMBER ENGAGED IN FOREIGN EXCHANGE AND MONEY MARKET OPERATIONS

All staff member engaged in foreign exchange and money market operations (including middle office staff member and back office staff member) should observe the following standards of behavior:

1) All staff member should carry out their duties in accordance with the instructions of their management, within the scope of the authority that has been granted to them.

2) All staff member should immediately report to their management any problems arising during dealing operations, or any other matters, which could seriously affect their business, and follow any instructions they are given.

ARTICLE 4 SEGREGATION OF DUTIES BETWEEN FRONT OFFICE AND MIDDLE OFFICE AND BETWEEN FRONT OFFICE AND BACK OFFICE

Each duty and reporting line should be segregated between the front office and the middle office and between the front office and the back office.

ARTICLE 5 USAGE OF CORRECT MARKET TERMINOLOGY

１. All interbank market participants should be aware of their responsibility to act professionally at all times, including the necessity of using clear and unambiguous terminology.

２. For that purpose, management should particularly acknowledge differences in terminology among various markets and words that could be misunderstood.

３. "Market terminology and definitions" is included in Appendix 1 of this Code. All interbank market participants should thoroughly familiarize themselves with these terms.

ARTICLE 6 TRAINING PERSONNEL

１. Management is responsible for maintaining a high standard of professionalism among the staff member in order to cope with rapid changes in markets and increasing complexity of financial transactions.

２. Management should ensure that newly assigned staff members are provided with a complete orientation of the procedures and policies of the institution.

３. Management should clarify the responsibilities, roles, and authority of their staff members, and thoroughly explain the procedures, IT systems, and business continuity plans. Procedures for risk measurement and reporting should be understood by all involved in trading activities.

ARTICLE 7 EXCHANGING SIGNED MASTER AGREEMENTS

Prior to conducting a foreign exchange and money market transaction, it is desirable that interbank market participants exchange signed master agreements to confirm standard transaction terms and conditions and to reduce credit risks (see Appendix Table1).

ARTICLE 8　BUSINESS CONTINUITY IN THE EVENT OF A LARGE-SCALE DISASTER

１. Interbank market participants should prepare in advance Business Continuity Plans (BCP) to be followed in the event of a large-scale disaster.　It is desirable that the effectiveness of these plans is reinforced through regular drills.

２. Interbank market participants should understand business continuity plans prepared by settlement system operators and properly position them in the participants' own BCP.

３. In the event of a large-scale disaster, interbank market participants should collaborate to maintain and promptly restore the functions of the Tokyo foreign exchange market in cooperation with settlement system operators and, where necessary, through consultations with the relevant authorities.　For such purposes, the "Business Continuity Plan for the Tokyo Foreign Exchange Market" prepared by the Tokyo Foreign Exchange Market Committee as a market-wide business continuity plan (see Supplementary 1) is in operation.

CHAPTER II　ETHICAL STANDARDS

ARTICLE 9　PROHIBITION OF QUESTIONABLE ACTIVITIES

１. Interbank market participants shall not take the following unfair actions or seek to profit themselves or their customers from the following unfair actions:

a) perpetrating unprofessional rumors;

b) abusing market practices;

c) attempting to obtain or obtaining non-public information that may affect market prices from other market participants illegitimately;

d) exploiting illegitimately obtained information.

２. Interbank market participants should disclose risks involved in transactions to customers in sufficient detail and in such a way as to allow customers to engage in transactions according to their own judgment, without coercive solicitation or advice.

ARTICLE 10　MAINTAINING CONFIDENTIALITY

１. Confidentiality of deals is essential for maintaining the reputable and smooth functioning of the interbank markets, and should be duly respected.　Parties to a deal shall not disclose any information obtained through the deal to a third party, and neither ask for such information except for the cases where it is essential for conducting transactions, the cases the consent of the other party is obtained, or the cases where there are justifiable legal grounds.　Confidential information should also be treated as sensitive within the institution.

２. Management should ensure that every staff member has a thorough knowledge of the basic principles concerning confidentiality of deals, and take necessary measures to prevent confidential information from being passed to outside parties.

３. Management should ensure that confidentiality is not breached through the use of telecommunications systems for interbank market transactions.　Security measures for these systems should be implemented if necessary.

４. In the event of any breach of confidentiality of deals, it is the role of management to act promptly to implement appropriate corrective measures.

５. Management should strictly control the entry of non-dealing room personnel and visitors into the dealing room.

ARTICLE 11　DEALING FOR PERSONAL ACCOUNTS

１. Where dealers are dealing for their personal accounts in instruments or instruments related to those which the dealers deal for their institution, conflicts of interest are likely to arise between the dealers and customers and the institution.　Furthermore, in their personal dealing activities, dealers are likely to take advantage of information that they have obtained in the course of fulfilling their responsibilities at the institution.　Therefore, management should carefully consider whether transactions for personal accounts are allowed.

２. Where dealing for personal accounts is allowed, management should establish written policies and operational procedures governing such activity.　Management should also establish reporting procedures on the details of personal account dealing activities, such as transaction dates, types of transaction, counterparties, amounts, rates and value dates.

(Note) Dealing for personal accounts refers to any activity in which dealers open accounts for dealing under whatever name, and in which dealers pursue profits.

ARTICLE 12　PREVENTION OF FRAUD

１. Management, and staff member involved in the interbank markets should be especially on guard against practices listed below, in order to prevent acts of fraud in the interbank markets.　When staff members detect any suspicious activities, they shall report them to their management without delay:

a) discovering transactions conducted over telephone lines that are not taped;
b) receiving unusual settlement instructions from the counterparties;
c) discovering that the party receiving funds is a third party, different from the counterparty to the transaction;
d) being unable to confirm details of transactions after transactions are concluded;
e) experiencing any anomalies in transactions.

２. Dealers shall not accept commissions from brokerage firms or brokers. Dealers/brokers shall report to management without delay, whenever they receive proposals from brokers/dealers for unusual transactions that deviate from market practices.

３. Dealers shall not engage in “position parking,” where a dealer in agreement with other market participants concludes a transaction that will be reversed on a future date, with the effect of manipulating the dealer’s position or profit and loss.

ARTICLE 13 ENTERTAINMENT AND GIFTS

１． In order to maintain a fair market environment, prudent and reasonable relationships should be maintained with all counterparties.

２． While frequent and extensive exchanges of views between dealers and customers and between dealers and brokers are helpful in developing customer business, enhancing the functioning of the interbank markets and facilitating brokerage services, in order to maintain a fair market environment, it is not acceptable to offer, accept or demand excessive entertainment or gifts.

３． Management should formulate explicit guidelines for offering and accepting entertainment and gifts, and ensure compliance by all staff member. Management should also request, as appropriate, reports on entertainment and gifts from staff member to check the relevant details.

４． Management of interbank market participants may request, if necessary and before or after the fact, reports on the details of entertainment and gifts, from the management of brokerage firms.

ARTICLE 14 ABUSE OF MEDICINES, ALCOHOL AND OTHER ADDICTIVE SUBSTANCES

Management is strongly recommended to take all reasonable steps to educate dealers and brokers about the detrimental effects of medicines and alcohol abuse on the business of the firm. Management should set out clear guidelines for cases where dealers and brokers are discovered to have lost control of their judgment by medicines and alcohol.

ARTICLE 15 MONEY LAUNDERING AND VERIFYING THE IDENTITY OF COUNTERPARTIES

１． Interbank market participants shall take all necessary measures, including verification of the identity of customers and other counterparties, and preservation of transaction records, in order to prevent the provision of funds to terrorists and the money laundering involved in certain major crimes.

２． Interbank market participants must familiarize themselves and comply with relevant Japanese laws and ordinances, which stipulate matters relating to the verification of the identity of counterparties and the creation and storage of such verification records and transaction records.

CHAPTER III　STANDARDS COVERING DEALING PRACTICES

ARTICLE 16　MARKET OPENING AND CLOSING TIMES

１．The recognized opening time in the interbank markets will be 5.00 a.m. Sydney time on Monday morning all year round, while the recognized closing time will be 5.00 p.m. New York time on Friday all year round.

２．While the times under the provision of the preceding paragraph are a widely accepted convention in the interbank markets, such a practice should not prevent parties concerned from agreeing otherwise.

ARTICLE 17　QUOTATION OF PRICES

１．A price quoted by a dealer or a broker in the interbank markets should be deemed as a firm price unless otherwise qualified such as under reference.

２．A firm price quoted by a dealer in the brokers' market shall remain valid until the dealer indicates an intention to withdraw (call off) the price.　However, in regard to the validity of prices, the broker should endeavor periodically to confirm with the dealer whether the price is still current or not. Particularly in cases where a considerable period of time has elapsed since quotation, the broker should not fail to confirm the validity with the dealer.

３．In regard to transactions concluded through the brokers' market, dealers quoting prices should indicate the trading amount to brokers each time a price is quoted or make an arrangement on the normal trading amount in advance.

ARTICLE 18　CONCLUDING A DEAL

１．A dealer quoting a firm price should accept to deal with a counterparty at such price except for credit limit constraints.　In this case, the dealer should be committed to the deal at the quoted price for a normal trading amount unless the dealer indicates a specific trading amount when the price is quoted.

２．In the interbank markets, a transaction should only be regarded as concluded when the counterparty to a transaction is specified and the credit is honored.　However, in the case of spot transactions, a transaction should be deemed concluded when the sides of the deal, the amount and the price are agreed upon.

３． Interbank market participants should be careful not to shift all the responsibility of credit limit problems to brokerage firms so that they are forced to conclude transactions. At the same time, brokerage firms and counterparties should not abuse credit limit problems so that they can make invalid those transactions that should have been concluded originally.

４． In cases where a dealer calls “off” at the same time a broker hits a dealer’s price as “done,” the transaction should be concluded. Conversely, in cases when a broker calls “off” at the same time a dealer hits the broker’s price (“yours” or “mine”), no transaction should be concluded.

５． In case where several dealers simultaneously hit a price being quoted by a brokerage firm for a total amount greater than what the price concerned is valid for, the brokerage firm should apportion the amount the price is valid for among banks concerned by proportional division etc.

６． In regard to transactions concluded through the brokers’ market, dealers taking an offer (hitting a bid) should indicate the trading amount to brokers each time an offer is taken (or a bid is hit) or make an arrangement on the normal trading amount in advance.

ARTICLE 19 CONFIRMATION PROCEDURES

１． Although confirmations are deemed as evidence of transactions, they do not take precedence over any oral agreements, because oral agreements have binding effect.

２． Banks/other financial institutions that are parties to a deal should exchange confirmations between their back offices immediately after the deal has been done. In exchanging confirmations, it is desirable to use electronic media such as SWIFT. The confirmation should include the following information:

a) date of transaction;
b) name and location of counterparty;
c) type and side;
d) currency and amount;
e) rate;
f) value date;
g) means of intermediary;
h) clearing bank;
i) other required relevant transaction details.

However, in cases of “Call Money” and “Call Loan” transactions in foreign currencies, only banks/other institutions lending the funds should issue and send confirmations while their counterparties procuring the funds may omit this altogether.

３. All confirmations should be checked immediately and appropriate actions should be taken to rectify any differences upon receipt by the back office. The back office should inform the counterparty immediately when there is any discrepancy in the counterparty's confirmation. The counterparty must re-check the details and issue and send an amended confirmation when correction is necessary.

４. It is particularly desirable for any orally concluded transactions such as those concluded through the brokers' market to be checked by the front office and the brokers during business hours.

ARTICLE 20　PAYMENT AND SETTLEMENT INSTRUCTIONS

１. As a rule, payment and settlement instructions related to interbank market transactions should be arranged directly between the relevant banks. Settlement instructions for payments of funds should be communicated promptly and accurately. The relevant bank must notify the counterparty of any changes in payment and settlement instructions without delay.

２. Exchanging Standard Settlement Instructions (hereinafter referred to as "SSI") with counterparties should be encouraged to improve efficiency in back office operations and reduce settlement risks. In case of changes in SSI, banks/other financial institutions should also inform brokerage firms without delay. The settlement system provided by CLS Bank International (see Note) is in operation to reduce settlement risks arising from foreign exchange transactions.

(Note) CLS Bank International was incorporated by leading financial institutions worldwide to reduce settlement risks arising from time lags in settlements of foreign exchange transactions through Payment vs. Payment (PVP) settlement.

３. The delivery of funds in Japanese yen should be conducted through either Foreign Exchange Yen Clearing System, CLS system or BOJ - Net or account transfers.

４. Where the party receiving the funds is a third party, the administrative department should have appropriate authentication control in place.

５. Notwithstanding the provisions of the paragraph 1 and paragraph 2 above, however, brokerage firms should assume the responsibility of communicating payment and settlement instructions to the counterparties in case of cross-border broking. If a brokerage firm has any difficulty in confirming the method for delivering the funds, the counterparties should cooperate with the brokerage firm without delay by communicating it.

６. In regard to errors in payment instructions received from brokerage firms, any banks/other financial institutions in receipt of such notification, should take their own steps to resolve the trouble caused by errors, to prevent the damages occurring and to minimize the losses without delay. Profit or loss caused by the errors should be dealt within a fair and appropriate manner through the use of sound judgment.

ARTICLE 21 ELECTRONIC TRADING

When conducting electronic trading, interbank market participants should ensure compliance with the following provisions, in addition to the other provisions of this Code of Conduct:

１. Management should ensure that dealers completely understand the internal rules for using electronic trading systems, dealing rule books prepared by service providers and other documents and agreements relating to the use of the service.

２. Management should set out a business continuity plan for contingencies involving trading systems. In the event of such contingencies, management should identify the nature of the problem immediately and take necessary actions through closely exchanging information with service providers.

３. In electronic trading, there is a risk that a dealer may end up consummating a deal at an off-market rate even after carefully checking prevailing prices. Management should set out in advance actions to be taken by dealers and applicable procedures in such situations.

４. A dealer should not seek profit from tactical manipulation of electronic trading systems.

５. To prevent unauthorized access to electronic trading systems, management should impose stringent security procedures, including the authentication of eligible users.

６. As electronic trading systems for customers are often developed on an open network where centralized controls do not exist, additional attention should be paid to system security management.

７. See Supplementary 2 for entry into market through electronic media.

ARTICLE 22 RECORDING BY TAPES AND OTHER MEANS

１. Banks/other financial institutions and brokerage firms should record conversations with their dealing counterparties by tapes or other means (hereinafter the media which the conversations are recorded referred to as “recorded media”. The recorded media should be strictly controlled to prevent their contents from being tampered with. They should be kept for a period long enough to enable the details of any transaction to be confirmed.

2. When initially installing tape equipment or taking on new counterparties, banks/other financial institutions and brokerage firms should take steps to inform their counterparties that conversations will be recorded.

3. As calls via mobile phones are not normally recorded, it is desirable that the use of mobile phones inside the dealing room should be avoided except in case of emergencies.

ARTICLE 23 AFTER-HOURS DEALING AND OFF-PREMISES DEALING

1. In order to manage after-hours dealing in an appropriate manner, banks/other financial institutions should specify their normal trading hours (hereinafter referred to as the "normal trading hours"), and management should establish appropriate controls for all dealing operations conducted inside their dealing room during the normal trading hours.

2. After-hours and off-premises dealing including dealing at home should only be undertaken with the prior approval of management.

3. Management should issue written guidelines to their staff who had been approved in accordance with the provisions of the preceding paragraph on the extent of transaction limit.

4. Management should put in place controls that enable prompt recording and verification of transactions conducted after-hours and off-premises.

ARTICLE 24 HANDLING OF ORDERS

1. Whenever banks/other financial institutions receive orders from counterparties, the following items should be verified and recorded appropriately in order to avoid trouble at later dates. Management should be fully aware that accepting orders involves complexity such as conditions for execution, communication of results and cancellation:

   a) currency;
   b) side of deal;
   c) amount;
   d) rate;
   e) value date;

f) validity period of order.

2. In regard to stop-loss orders in particular, the parties should expressly agree on and confirm such intent and the terms under which such orders are accepted. Banks/other financial institutions handling such orders should have adequate lines of communication with counterparties to be used in case of extreme price or rate movements or other unusual situations.

3. In accepting such orders, banks/other financial institutions undertake to make every reasonable effort to execute the orders at prices specified by the parties placing the orders. This, however, does not guarantee fixed-price execution.

4. If the banks/other financial institutions ask brokerage firms the trading range, and brokerage firms indicate the information of the trading range, they should not commit to the range.

5. When receiving orders, it is desirable to confirm the validity period of orders, particularly considering practices relating to market opening and closing times.

ARTICLE 25 OFF-MARKET RATE

1. A Deal whose transacted price is extremely deviated from an actual market at the time of execution may result in concealment of profit or loss, perpetration of a fraud, or giving an unauthorized extension of credit. Market participants should generally avoid such questionable deals.

2. In cases where banks/other financial institutions intend to use an off-market rate as indicated above, management should carefully consider whether it is appropriate to use the rate from the aspect of credit and fairness. When using such a rate, the cash flow implication should be taken into account in the pricing.

3. Historical rate rollover (HRR: an extension of a foreign exchange forward contract at the original rate) is an important example of off-market rate transactions. HRR is generally discouraged unless there is a reasonable basis and the prior approval of management. In the exceptional case of permitting HRRs, management should establish rules and procedures and ensure compliance ("a foreign exchange forward contract" shall also include the right of exercise of any options transactions).

ARTICLE 26 RELATION BETWEEN DEALERS AND BROKERS

1. Dealers should not request brokers to disclose the name of the counterparty or the amount involved prior to the conclusion of a transaction.

２． Dealers should not request brokers to disclose details of deals between third parties.

３． In cases where conclusion of transactions has been refused due to credit limit problems, banks/other financial institutions which have been refused should not request brokers to reveal the names of refusing counterparties.

４． Dealers should not deal from within a brokers' office nor should brokers arrange deals from outside their own offices.

５． The disclosure of the names of transaction counterparties might be allowed exceptionally in accordance with the provision of the following items:

１） In cases where one of the parties to a deal already concluded requests an increase in the amount of the transaction, the broker may disclose the counterparty's name, but only to the other counterparty of its transaction.

２） Dealers may request brokers to disclose names of the counterparties prior to the conclusion of foreign exchange forward and currency options transactions.

３） In regard to money transactions, banks/other financial institutions lending the funds may, prior to the conclusion of a transaction, request brokers to disclose names of counterparties. Also, in regard to transactions in which the principal and interest may have to be repaid prior to confirming the receipt of principal, both lenders and borrowers may request brokers to disclose the names of counterparties.

４） In regard to JOM transactions, as the details required for confirmation for transactions with non-financial institutions are different from those for banks, brokerage firms should notify counterparty banks in advance whenever arranging deals for non-financial institutions.

ARTICLE 27 DISPUTES, ARBITRATION AND DIFFERENCES

１． Where a problem arises in relation to the transaction and the settlement and handling or other aspects of a transaction with the counterparty or other parties to the transaction, the problem should be reported to management immediately. Under instructions of management, the staff member in charge of the transaction should make every effort to resolve the situation quickly and in good faith.

２． In the case set forth in the preceding paragraph, if there are any open or unmatched positions, it is recommended to square or neutralize positions as quickly as possible to eliminate the risk of losses from expanding further. Such actions are desirably conducted with the agreement of the counterparty. This, however, should not be interpreted as the party concerned acknowledging its own error.

３．Where a problem between a dealer and a broker results in any profit or loss, the following guideline should apply:

１）The staff member in charge should record details of the counterparty and an outline of the dispute, including its causes, the difference and the method of settling, and report the incident of the difference to management on the same day. The record should be preserved.

２）Management should review the difference and keep track of the frequency of disputes occurring with a specific counterparty.

３）Compensation for the difference should be made with a bank check or wire transfer to the bank, or an adjustment in brokerage.

４）A dealer should not reject the compensation indicated in the preceding item, and should not request that the transaction be executed at the original price.

５）Delivery of the relevant checks should be made by the middle office or back office independent from the front office.

４．In case of disputes arising from problems that cannot be resolved by the parties involved through usual procedures, it may be possible to bring the case to the attention of ACI's Committee for Professionalism.

ARTICLE 28　NAME SUBSTITUTION

１．In interbank market transactions, the name of one counterparty may prove unacceptable to the other due to the unavailability of a credit line. Under these circumstances, it is accepted as market practice that brokers will attempt to substitute a third name to stand between the two original counterparties to clear the transaction (name substitution or name switch).

２．In a name substitution, banks/other financial institutions that stand between the original counterparties should carefully confirm the details of the transaction and operate within their general policy guidelines and procedures. Such a transaction should be monitored and controlled as a switching transaction. Dealers and brokers must obtain the prior approval of management for name substitution.

３．Management of banks/other financial institutions should provide brokerage firms with names of unacceptable counterparties in advance as much as possible, and try to prevent brokers from having to ask other interbank market participants for name switch.

４．Dealers shall not seek nor accept favors from brokerage firms for switching names.

ARTICLE 29 BROKERAGE CHARGES

1. Management of both banks/other financial institutions and brokerage firms should agree upon brokerage. Management of brokerage firms should submit the notice regarding the brokerage charges agreed by both parties in writing to management of banks/other financial institutions. Any revision in brokerage arrangements should follow the same procedure.

2. Brokerage firms normally quote dealing prices to banks/other financial institutions excluding commissions or brokerage charges.

ARTICLE 30 STANDARDS FOR VALUE DATES

1. The value date for USD/JPY and CROSS/JPY transactions will be the second business day in the Tokyo market after the transaction date. If such a day falls on a U.S. holiday or a holiday of the country concerned, the value date will be postponed to the next business day on which both countries' markets are open. In regard to other currency pairs, U.S. holidays and the holidays of the countries concerned should be taken into account and the value date shall be determined in the same manner as above (see Appendix Table 2).

2. In regard to the value date of the forward leg of a regular-term USD/JPY forward transaction, in case where the value date falls on a holiday in either Tokyo or New York, the value date will be the next business day on which both markets are open. In case where the spot leg of a forward transaction falls on the last business day of the month, the forward leg value date of the period being quoted should also be the last business day of the relevant month (the "end/end" rule).

3. The settlement date for money transactions should also be determined as per the clauses above.

4. There are exceptional cases where settlement is carried out on a holiday of the country of the relevant currency. If the value dates for transactions in currency pairs are different, counterparties should only trade after mutually confirming the settlement of such transactions.

ARTICLE 31 UNSCHEDULED HOLIDAYS IN JAPAN

In the event of value dates falling on any newly declared national bank holiday in Japan, the following procedures should be adopted in the absence of any specific agreement between the two relevant parties.

１． Foreign Exchange Transactions

１） Transactions Involving Japanese Yen

The new value date for transactions involving Japanese yen will be the first common business day following such bank holiday. However, if a bank holiday falls on the last business day of a month, the new value date will be the first common business day prior to such bank holiday. Changes in value dates should be carried out without any alteration to the amount delivered and without any cost adjustments.

２） Transactions not Involving Japanese Yen

The value date for transactions not involving Japanese yen will remain unchanged as originally contracted and settled in the relevant countries. The value dates will not be split.

２． Money Transactions

１） Offshore-Yen Transactions

In regard to offshore-yen transactions, the first common business day following such bank holiday will be the new settlement date. However, if a bank holiday falls on the last business day of a month, the new settlement date will be the first common business day prior to such bank holiday. When there is a change in the settlement date as mentioned above, the interest amount should be calculated using the original contracted interest rate, adjusting the number of days by such changes accordingly.

２） Transactions in Foreign Currencies

In regard to transactions in foreign currencies, the settlement date shall remain as per the original contract. However, if it is agreed that the settlement for any foreign currency transaction be conducted in Tokyo, the new settlement date will be the first common business day following such bank holiday.

ARTICLE 32 EXERCISE OF CURRENCY OPTIONS

１． Exercise of currency options should be notified by the cut-off time to the address predetermined between the parties involved using telecommunications equipment, such as a dealing machine, which provides an evidence.

２． It is desirable not to make the notification of the exercise through “one-way” telecommunications equipment where the receipt cannot be confirmed on a real time basis (e.g. facsimile, e-mail, etc.).

３． When the exercise of currency options is notified by telephone, the details of the exercise should be confirmed immediately by e-mail, facsimile, etc.

４. Option writers should ensure that they are ready to receive notifications of exercises through telecommunications equipment or dealing machines, which are predetermined between the counterparties.

５. Option holders, when notifying exercises to overseas counterparties, should be aware that the clock may change seasonally in overseas markets.

ARTICLE 33 JAPAN OFFSHORE MARKET (JOM) TRANSACTIONS

１. Banks/other financial institutions and brokerage firms should clearly distinguish between JOM transactions and other transactions when placing an order, confirming the deal upon execution, and reconfirming it. Brokerage firms shall confirm the details of the transaction on the trade date with all relevant banks/other financial institutions via facsimile, etc.

２. As a general rule, JOM transactions conducted through the brokerage firms should be limited to deposit transactions.

３. Calculation of interest for offshore-yen of JOM transactions should be on an actual/360 basis, and the amount should be rounded down to the nearest yen (the smallest unit of legal tender). As a general rule, settlement should be carried out through the Foreign Exchange Yen Clearing System.

APPENDIX TABLE 1 MASTER AGREEMENTS IN INTERBANK TRANSACTIONS

The following are the master agreements that contain a provision regarding close-out netting*.

* Provision regarding close-out netting: This provision sets out that, where either party defaults, all transactions between the parties would be closed out and all resulting credits and debits should be netted and settled pursuant to the master agreement.

Name of Agreement	Issuer	Latest Version	Transaction
ISDA Master Agreement	International Swaps and Derivatives Association, Inc.	2000	Various types of derivative, foreign exchange and currency option transactions
Credit Support Annex or Margin Provisions (security agreement attached to ISDA Master Agreement)		-	
International Deposit Netting Agreement	British Bankers' Association	1996	Money transactions
International Foreign Exchange Master Agreement (IFEMA)	The Foreign Exchange Committee and others	1997	Foreign exchange transactions
International Currency Options Market Master Agreement (ICOM)	The Foreign Exchange Committee and others	1997	Currency option transactions
International Foreign Exchange and Options Master Agreement (FEOMA)	The Foreign Exchange Committee and others	1997	Foreign exchange and currency option transactions

APPENDIX TABLE 2 VALUE DATES FOR USD/JPY SPOT TRANSACTIONS

Where a day is a holiday either in the Tokyo market or the New York market, the value date for USD/JPY spot transactions should be determined as follows:

The relationship between the transaction date and the value date for a USD/JPY transaction conducted around Christmas time should be as follows:

	12/19 Friday	12/22 Monday	12/23 Tuesday	12/24 Wednes-day	12/25 Thursday	12/26 Friday	12/29 Monday
Tokyo	Business day	Business day	Holiday	Business day	Business day	Business day	Business day
New York	Business day	Business day	Business day	Business day	Holiday	Business day	Business day

(1) Transaction Date 12/19	Transaction Date	→	→	Value Date			
(2) Transaction Date 12/22		Transaction Date	→	→	→	Value Date	
(3) Transaction Date 12/23			Transaction Date	→	→	Value Date	
(4) Transaction Date 12/24				Transaction Date	→	Value Date	

(Note1) The next business day would become the value date where the day after the transaction date falls on a holiday in the New York market and the day following the holiday in the New York market is a business day as in the case of (4) above (this only applies to a case where both days are not holidays for the non-USD currency).

(Note2) Even in cases of cross-currency transactions not involving USD, if the second common business day after the transaction date falls on a holiday in the New York market as in the case of (3) above, the prevailing practice is to set the value date on the next business day after the holiday in New York. However, if the parties to the transaction so agree, it is possible to conduct delivery on the second common business day. Where the day after the transaction date falls on a holiday in the New York market in the same cross-currency transaction, as in the case of (4) above, the second business day from the transaction date should be the value date (this, however, only applies to a case where none of the days falls on a holiday with respect to either currency of the pair).

SUPPLEMENTARY 1　BUSINESS CONTINUITY PLAN （BCP）FOR THE TOKYO FOREIGN EXCHANGE MARKET

１．Purpose

１）The Tokyo Foreign Exchange Market Committee (TFEMC) has resolved to develop a market-wide Business Continuity Plan (BCP) for the purpose of maintaining and promptly restoring the functions of the Tokyo foreign exchange market in case of disaster based on the understanding that both development of BCPs by individual banks/financial institutions and maintenance of the market network as a whole (network among banks/other financial institutions) are critical.

２）The market-wide BCP developed by TFEMC is an initiative by interbank market participants with main focuses on collection and dissemination of information as well as recommendation of changes (hereinafter referred to as the "Recommendation of Changes") to market practices to minimize disruption in foreign exchange transactions in case of disaster.

３）The systems to implement the BCP have been established through introduction of the foreign exchange BCP website for collection and dissemination of information and development of rules, manuals and procedures relating to the BCP.

２．Scope of Disaster

１）The BCP will cover natural disasters, communicable diseases, acts of terrorism and accidents (including large scale blackout and fire).　The BCP will not apply to system failure occurring to any individual market participant which is not attributable to a disaster.

２）In case of disaster occurring outside Japan that may have a material effect on the Japanese market, appropriate measures will be taken in accordance with the BCP.

３．Operation

１）The BCP will be operated by the Operation Sub-Committee within TFEMC, in time of peace, or by the Command Center (consisting of the Chairperson, Vice-Chairperson and Secretary of TFEMC and their assistants), in case of disaster.

２）In case of disaster, the Command Center will make a final decision based on the opinions provided by the BCP Response Conference (consisting of the members of the Command Center and the chairpersons of the relevant Sub-Committees within TFEMC).　In making a final decision, the Command Center will consult with the Ministry of Finance, the Financial Services Agency and the Bank of Japan, as appropriate.

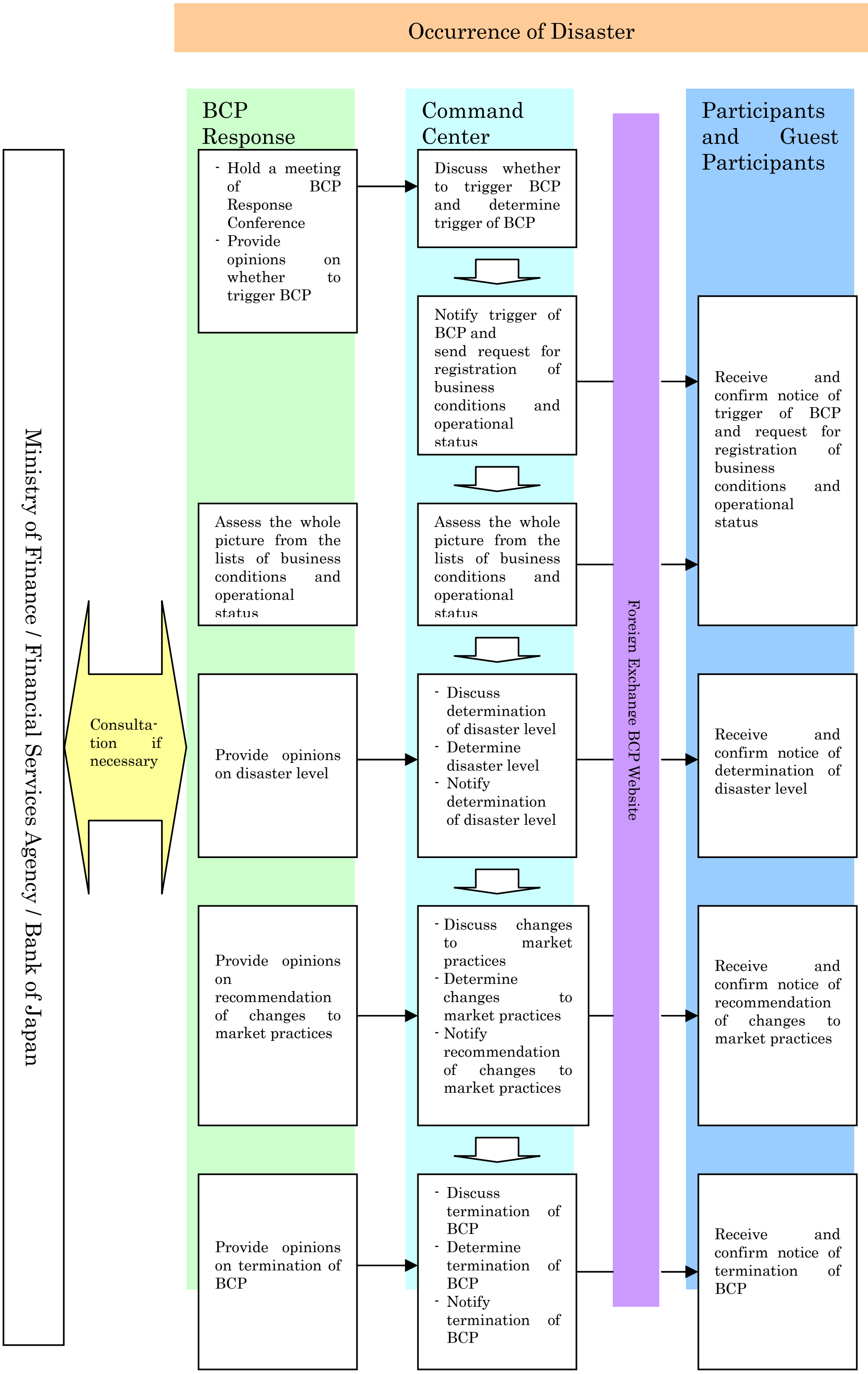
４．BCP Participants and Guest Participants

１）Participants: Interbank market participants and other persons similar thereto.

２）Guest participants: CLS, the Tokyo Bank Association, the Bank of Japan and Tokyo Financial Exchange (settlement system operators, exchanges or other entities which TFEMC invites).

5． Implementation Flow

The following chart shows the BCP implementation flow and responsibilities of the relevant organizations:



６． Determination of Disaster Level; Recommendation of Changes to Market Practices

１） If the BCP Response Conference determines that the operation of the Tokyo foreign exchange market as a whole has been interrupted based on the information on business conditions and operational status, it will determine the disaster level (Phase I, Phase II or Phase F) in accordance with the following standards:

Phase I	Situation where some of the Tokyo foreign exchange market participants are unable to conduct trading or settlement
Phase II	Situation where over half of the Tokyo foreign exchange market participants are unable to conduct trading or settlement
Phase F	Situation where some of ordinary transactions or settlements fail or are likely to fail due to any disaster occurring outside Japan

２） The BCP Response Conference will, at the same time as or after the determination of the disaster level, promptly discuss the Recommendation of Changes to market practices, if it determines such changes to market practices are necessary to maintain and promptly restore the functions of the Tokyo foreign exchange market.

３） Although details of the Recommendation of Changes to market practices will be determined according to the then prevailing circumstances, any one or a combination of the following measures are supposed to be taken irrespective of the determination of the disaster level:

Settlement*	a) Extend the period for settlements through the Foreign Exchange Yen Clearing System; b) Extend the period for yen settlements through CLS; c) Postpone settlement dates for funds in Japanese yen; d) Transactions involving yen that should have been settled through CLS on a day but have not been so settled will be settled through CLS on the immediately following business day in accordance with the CLS best practice.
Trading**	a) Refrain from conducting transactions involving yen for the reason of disruption in the yen settlement system; b) Refrain from foreign exchange transactions through electronic trading media for every currency (with reason); c) If execution of transactions is absolutely necessary, promote negotiated transactions with identified counterparties including overseas offices of the relevant banks/financial institutions or domestic or foreign counterparties.
Confirmation	

	a) Promptly confirm the terms and conditions of transactions contracted within the day of order with domestic counterparties (or counterparties affected by the disaster); b) As a foreign exchange transaction contracted through electronic trading media on or after [time] may not have been recognized by the counterparty affected by the disaster, promptly confirm the terms and conditions of the transaction and, if the counterparty has not recognized the transaction, determine whether or not the transaction is valid upon mutual agreement in view of the relevant circumstances; c) If any pending customer order which should have been contracted according to the price movement on or after [time] has not been so contracted at a bank affected by the disaster, promptly notify the relevant customer of whether or not the order may be contracted.

* Measures to be taken will be determined taking into account the situation and decisions relating to settlements at the domestic money market as of the same time.

** If there is or is likely to be any interruption in transactions effected through brokers, these measures will also be taken for transactions effected through brokers in addition to the electronic transaction media.

４） The above measures are not intended to prejudice other measures taken upon agreement between the relevant Tokyo foreign exchange market participants. The relevant market participants must separately determine any matters necessary for applying the above measures to individual transactions.

SUPPLEMENTARY 2 ENTRY INTO MARKET THROUGH E-PLATFORM

Recent developments in electronic trading and expansion of the online network have resulted in major changes in the interbank markets. Particularly, development of the white labeling service and give-up transactions service promoted by banks/other financial institutions has contributed to diversified forms of market entry and an expanded base of players.

While it is expected that diversified forms of trading resulting from the development of trading through e-platform will enhance liquidity in the foreign exchange market, financial institutions that provide the above services must give consideration to the maintenance of stable market and reputational risks, and also note the following points:

1. Interbank market participants should and are obliged to give guidance to and monitor their customers in order to ensure such customers' compliance with market practices and the code of conduct;

2. Interbank market participants must be aware that they will assume all contractual responsibilities for the transactions conducted by their customers against the counterparties to such transactions. Interbank market participants will be liable to respond to any inquiry from or trouble with a counterparty as if they have executed the relevant transaction as principal.

The development of electronic trading has been experienced globally. Accordingly, TFEMC will promptly take appropriate measures such as to amend the points to be noted in cooperation with foreign market committees in case of any change in the circumstances surrounding electronic trading, while keeping in mind sound market development and operation.

APPENDIX 1 MARKET TERMINOLOGY AND DEFINITIONS

This glossary is a collection of terminology commonly used in the interbank markets of both foreign exchange and money markets transactions. The Tokyo Foreign Exchange Market Committee encourages the accurate and standardized usage of it by market participants.

I. TERMINOLOGY RELATING TO MATURITY DATES

Value Date	Delivery Date, Settlement Date
Spot:	In general two business days hence: in foreign exchange, spot transactions are those in which traded currencies are delivered two business days after the transaction date (see Note). (Note) As the exception, USD/CAD settles on the next business day of the transaction date. Value date of the spot transactions depends on the currency pair but such cases, in which the value date differs from 2 days after the transaction date, are rare.
Overnight:	Value today against next business day.
Tom-next:	Value next business day against spot date.
Spot-next:	Value spot date against next business day of the spot date.
One week:	Value spot date against one week from the spot date.
Tom-week, One week over tomorrow:	Value next business day against one week from that date.
One month:	Value spot date against one month from the spot date.
One month over tomorrow:	Value next business day against one month from that date.
One year:	Value spot date against one year from the spot date.
Turn of the month:	Value last business day of the month against the first business day of the next month.
Spot against month end, End of the month:	Value spot date against the last business day of that month.
Turn of the year:	Value last business day of the year against the first business day of the next year.

Turn of the fiscal (financial) year:	Value last business day of the fiscal year against the first business day of the next fiscal year.
Forward-forward:	Value forward (over spot) date against a forward date.
Three against six:	Value date three months from the spot date against value date six months from the spot date.
IMM date:	Delivery date of futures contracts traded at the International Monetary Market (IMM) division of the Chicago Mercantile Exchange (CME). It is the third Wednesday of the contract month. As a general rule, March, June, September and December are referred to as MAR IMM, JUN IMM, SEP IMM, DEC IMM, respectively.
Fixed dates, Regular term (dates/periods):	Value spot date against standard trading periods: 1 week, 1 month, 2 months, etc.
Odd dates:	Value date that is not a "Regular term (as above)".
Short dates:	Value date within one month.

II. TERMINOLOGY IN RELATION TO PRICING AND EXECUTION OF DEALS

(*Used only for foreign exchange transactions.)

Quote:	Statement of rates for buying and selling.
Price:	Same as rate.
Buy*, Bid, Pay:	In case of foreign exchange trading, the rate at which the quoting dealer will buy the base currency. For foreign exchange forward trading, it indicates that the quoting dealer will buy the base currency at the forward rate. In case of money market trading, the interest rate at which the quoting dealer will pay for the currency concerned.
Sell*, Offer, Ask:	In case of foreign exchange trading, the rate at which the quoting dealer will sell the base currency. For foreign exchange forward trading, it indicates that the quoting dealer will sell the base currency at the forward rate. In case of money market trading, the interest rate at which the quoting dealer will lend the currency concerned.
Hon (volume):	Currency unit of one million in the base currency. Ten hon (volumes) of the dollar denotes USD 10 million.
Yard:	Currency unit for one billion. Five yard yen denotes five billion yen.

Mine, I buy*, I take:	In case of foreign exchange trading, this is what a dealer says to indicate that the dealer buys the base currency at the offered rate being quoted. For foreign exchange forward trading, it indicates the dealer buys the base currency at the forward date. In case of money market trading, this is what a dealer says to indicate that the dealer pays the interest rate of the currency concerned that is being offered.
Yours, I sell*, I give:	In case of foreign exchange trading, this is what a dealer says to indicate that the dealer sells the base currency at the bid rate being quoted. For foreign exchange forward trading, it indicates that the dealer sells the base currency at the forward date. In case of money market trading, this is what a dealer says to indicate that the dealer lends the currency concerned at the interest rate, which is being bid at.
Hit:	In Tokyo market, the term "hit" is used commonly either in trading at bids or offers. However, the precise term is "Hit the bid" which indicates that a seller is willing to deal at the current bid in the market and "Take the offer" which indicates that a buyer is willing to deal at the current offer in the market.
Hit (Dealt) by mistake:	Used for notifying the counterparty that the transaction dealt at the price which diverges from the actual level caused by an error in operating the electronic brokering system.
Given:	A case in which a bid has been dealt on.
Taken, Paid:	A case in which an offer has been dealt on.
Off, Cancel:	Nullification of a rate currently being quoted in the market or cancellation of an order (either a bid or an offer) already placed in the market.
Balance:	Outstanding balance for which only part of the suggested amount is agreed when an offer or bid is proposed to the market. "Watch the balance" is used to inform brokers that the bid (offer) for the outstanding balance is valid.
Join:	Placing of an additional bid or offer equivalent to the current best bid or offer available in the market; joining the highest bid or lowest offer in the market (e.g. "join the offer at 20", "join the bid", "join both sides").
Under reference:	A quote that needs to be confirmed as firm price.
One try, One show, One call:	Quoting or showing the price to the market as a valid price for a very short period of time. In order to avoid any misunderstanding of the length of time for which the price is valid, the term should be used with care.
Either (way):	Term used when bid and offer rates become identical due to credit line problems, disagreed amounts, etc.

XX your choice, Choice :	A rate (XX) at which the quoting dealer is willing to either buy or sell the base currency.
Done:	Term used to conclude a deal/transaction.
Nothing done, Nothing:	Term used when a deal/transaction has not been concluded.
Firm, Firm price:	A rate which is valid and can be dealt to conclude a deal. The bank quoting a firm price is obliged to transact the deal at that rate when a counterparty deals the price being quoted; exceptions are made only due to credit line problems.
For indication, Indication only, For information, Information only, For level:	Quotations that are not firm, and are intended to show the market level as reference only.
Top rate*, Near rate, Start rate:	The start rate or the near side rate of a foreign exchange forward transaction.
Far rate, End rate:	The end rate or the far side rate of a foreign exchange forward transaction.
(Ten) plus, Minimum (ten):	A condition applied to a price where any transaction concluded is for a minimum of (ten) million.
One ticket, One shot:	The term used to indicate that the agreed amount is a whole amount and not split in parts, or to make that a condition to conclude a deal.
Full, Full amount:	Requesting a price indicating that the proposed amount is the whole amount of the transaction.
Check, Checking:	To check the availability of a credit limit for the counterparty prior to the conclusion of the deal. The term hints to the counterparty that there is a possibility of reducing the amount or declining the deal depending on the credit limit.
Line full, Full up:	No credit limit available for the counterparty.
My risk:	A reply used by a dealer when unable to respond immediately whether the dealer intends to deal at the price quoted. Therefore, if the dealer desires to conclude the transaction, the dealer must request a fresh price by asking “How now?” or something similar.
Your risk:	A notice of intent by the quoting dealer that the proposed rate would be put under reference. The term is used when the counterparty does not respond to the proposed rate immediately.

Point, Pip:	The smallest unit of a rate.
Near date:	Start date of a foreign exchange forward transaction.
Far date:	End date of a foreign exchange forward transaction.
Par*, Even*:	A term in foreign exchange forward transaction, indicating the rate for the near date of the transaction is identical to the rate for the forward date of the transaction (swap point is zero).
Premium*:	The far rate is more expensive (dearer) than the near rate of the foreign exchange forward transaction (swap point is positive). This term has a different meaning in currency options transactions (see V.).
Discount*:	The far rate is less expensive (cheaper) than the near rate of the foreign exchange forward transaction (swap point is negative).

III. TERMINOLOGY RELATED TO FOREIGN EXCHANGE TRANSACTIONS

Outright:	The purchase or sale of a currency.
Forward:	A transaction that concludes, near date buying/selling and far date selling/buying simultaneously, as a general rule, for the same amount.
Outright forward:	An outright transaction with a delivery date beyond the spot value date.
Cross currency:	A pair of currencies not including the USD. A cross yen transaction denotes a transaction between JPY and currencies other than USD.

IV. TERMINOLOGY RELATED TO TRADING POSITION

Long:	In foreign exchange trading, a position for which a net surplus of the base currency is being maintained. In money trading, a position for which the amount of funds borrowed exceeds the amount of funds lent.
Short:	In foreign exchange trading, a position for which a net deficit of the base currency is being maintained. In money trading, a position for which the amount of funds lent exceeds the amount of funds borrowed.
Square:	In foreign exchange trading, a position for which the total of base currency bought is equal to the total of base currency sold. In money trading, a position for which the amount of funds lent is equal to the amount of funds borrowed.

V. TERMINOLOGY RELATED TO CURRENCY OPTIONS TRANSACTIONS

Call option:	The right to purchase a specified amount of a specified currency at a specified exchange rate on a specified day or during a specified period.
Put option:	The right to sell a specified amount of a specified currency at a specified exchange rate on a specified day or during a specified period.
European type:	An option which can only be exercised on the option's expiration date.
American type:	An option which can be exercised on any business day up to and including the expiration date.
Plain vanilla option:	The general term for basic call options and put options in the most basic form, used irrespective of whether they are European or American. With such options, the net profit and loss solely depend on the price of the currency (underlying assets) being exercised without there being any other collateral conditions.
Exotic option:	The general term for exotic options other than plain vanilla options. There are options of which net profit and loss depend not only on the price of the currency (underlying assets) at expiry but also on the fluctuations of prices up to the expiry date or the fluctuation of prices other than the underlying assets.
Buyer (Holder):	The party which purchases an option by the payment of a premium.
Seller (Writer):	The party which sells an option and receives a premium and grants the right of the buyer to exercise the option.
Premium:	The price of an option, paid by the option buyer and received by the option seller. Payment and receipt of a premium are normally delivered two business days after the conclusion of a transaction.
Strike price:	The exchange rate applied in the event of an option being exercised.
Expiry date, Expiration date:	The date on which the right of the buyer to exercise an option ceases to be of effect.
Delivery date:	The date on which delivery of the two currencies involved is conducted based on the exercise of an option. Normally, it is two business days after the expiration date.
Cut off time:	The time at which the right to exercise ceases to be of effect on the expiration date. For interbank transactions, usually 3:00 p.m. Tokyo time in the Tokyo market and 10:00 a.m. New York time in the European and American markets.

Exercise: To execute the right which is possessed by the buyer of an option contract (e.g. the right to buy). Upon receipt of a notification of intention to exercise the right, the seller of the option is obligated to deal with the option buyer on the terms already agreed upon.

Expire: A condition where the cutoff time passes without the buyer of the option exercising its right.

At-the-money: An option is at the money when the price of the underlying instrument is very close to or equal to the option's strike price.

In-the-money: An option is in the money when the price of the underlying instrument is lower than the strike price of a put option or the price of the underlying instrument is higher than strike price of a call option.

Out-of-the-money: An option is out of the money when the price of the underlying instrument is higher than the strike price of a put option or the price of the underlying instrument is lower than the strike price of a call option.

Delta (Δ): The ratio of the change in the option price compared with change in the price of the currency in question, when all other conditions are fixed.

Delta hedge: A foreign exchange transaction which squares up the potential foreign exchange position which occurred as a result of an option transaction concluded. The potential foreign exchange position is calculated by multiplying the option transaction by the delta.

(Market) Volatility: A quantification of the market rate fluctuation. In the over- the-counter options market, volatility rates are quoted at levels which take into account dealers expectations of the future market movements.

Historical volatility: The standard deviation in the logarithm of the price changes (e.g.daily) of the underlying instrument expressed in an annual rate. Calculations are based on the past market movements.

Implied volatility: With a given premium, the volatility calculated in reverse, based on options pricing models such as Black-Scholes, etc. from the number of days to expiration date, strike price, interest rates and actual foreign exchange market level.

Straddle: A combination where one buys or sells a call option and a put option with the same notional amount, the same expiry date, and the same strike price.

Strangle: A combination where one buys or sells a call option and a put option with the same notional amount, same expiry date, but with different strike prices.

Butterfly spread: A combination of buying a strangle, and selling a straddle (or vice versa) with the same expiry date. The strike of the straddle is usually set between the two strikes of the strangle.

Risk reversal:	A combination of a long (short) call option and a short (long) put option, usually with the same notional amount, the same expiry date and the same absolute value of delta.
Synthetic forward:	A combination of a long (short) call option and a short (long) put option with the same notional amount, the same expiry date, and the same strike price.
Intrinsic value:	The amount by which an option is in the money.
Time value:	The portion of an option's value that equals the option's current premium minus the intrinsic value.
Leg:	One side of a spread transaction, including straddle, strangle and risk reversal. For example, USD10 mio in "straddle of USD10 mio a leg" denotes a combination of a call for USD10 mio and a put for USD10mio.

VI. TERMINOLOGY RELATED TO EXOTIC OPTIONS TRANSACTION

Knock out:	A knock-out option is a type of option which automatically disappears when the market spot rate becomes equal to or exceeds a predetermined level before the expiration date. A knock-out event normally occurs when the option is out of the money. However, there is also another type called "reverse knock out" with which a knock-out event occurs when the option is in the money.
Double knock out:	A knock-out option which has two knock-out rates. The option disappears automatically when the spot market rate becomes equal to or exceeds either of the two knock-out rates.
Knock in:	A knock-in option is a type of option which automatically appears when the market spot rate becomes equal to or exceeds a predetermined leve before the expiration date. A knock-in event normally occurs when the option is out of the money. However, there is also another type called "reverse knock in" with which a knock-in event occurs when the option is in the money.
Double knock in:	A knock-in option which has two knock-in rates. The option appears automatically when the spot market rate becomes equal to or exceeds either of the two knock-in rates.
Digital, European digital:	A digital option is a transaction where a predetermined amount will be paid when the spot rate on the expiration time is greater (or less) than the predetermined strike price. In the event that the payment occurs, it will be settled on the spot value date of the expiration date.
One touch:	One touch is a transaction where a predetermined amount will be paid when the spot market rate trades at or exceeds the predetermined strike price before and on the expiration date. In the event that the payment occurs, settlement will be made on the original delivery date. However, there are types where payments will be made 2 working days after the one touch event occurred.

Double one touch: A one touch option where two strikes are set. The predetermined amount will be paid in this option type when the spot market rate becomes either equal to or less than the lower strike price, or equal to or greater than the higher strike prices until it expires.

No touch: No touch is a transaction where a predetermined amount will be paid when the spot market rate does not trade at or exceed the predetermined strike price before and on the expiration date. In the event that the payment occurs, settlement will be made on the original delivery date.

Range binary, Double no touch: A no touch option where two strikes are set. The predetermined amount will be paid in this option type when the spot market rate does not become either equal to or less than the lower strike price, or equal to or greater than the higher strike price until it expires.

Average strike: An option where the average value of the foreign exchange quote (publicly released quote or suchlike) for the predeter-mined observation period becomes the strike price.

Average rate: An option where the intrinsic value is determined through a comparison between the average value of a foreign exchange quote (publicly released quote or such like) for the predetermined period and the predetermined strike price. For example, in the case of call options where the average value is greater than the strike price, the buyer of the option may receive the difference (intrinsic value).

Compound option: Also referred to as an option's option. With this transaction, the buyer has the right to buy (or sell) an option with the predetermined expiry date, premium and strike price.

Window barrier : A knock-out (or a knock-in) option which knocks out (or knocks in) only during a limited period from the trade date up to the expiration date.

VII. TERMINOLOGY RELATED EXCLUSIVELY TO MONEY TRADING TRANSACTIONS

Lending: Lending funds. When funds are lent in the money market, "Yours," "I give," "I place," and other such phrases are used as in the foreign exchange market.

Taking: Borrowing funds. When funds are borrowed in the money market, "Mine," "I take," and other such phrases are used as in the foreign exchange market.

Pay: Payment of fixed interest in interest rate swap transactions.

Receive: Receipt of fixed interest in interest rate swap transactions.

FRA (Forward Rate Agreement): A transaction that defines the interest for a certain period in future. If the interest on the settlement date is higher than interest defined in FRA, the buyer receives the difference. Where the interest is lower than the defined interest, the buyer pays the difference.

Stripping: Calculation of the interest rate applicable to a longer term by combining the interest rates applicable to the parts of the period. For example, by combining three-month interest rates that mature in March, June, September and December in the futures market, the one-year interest rate starting from March can be calculated.

Basis Point (bp): One hundredth of 1%. One basis point denotes 0.01%.

Tick: The basic minimum unit in interest rate trading. In particular, the fluctuation of prices in interest rate futures dealing is called the "tick."

Swap spread: The gap between the yields of government bonds and the interest rate swap rate.

Duration : The average maturity period for fixed interest rate trading. It is the result of weighting and averaging the maturity period of each cash flow (including interest and redemption) with the present value of each cash flow.

VIII. TERMINOLOGY USED EXCLUSIVELY FOR NDF TRANSACTIONS

Care should be taken in the use of terms, where the vocabulary used by traders could be different from the ISDA based language used in master agreements (confirmation slips). Different usage of terms between the market and ISDA terms is indicated side by side in this section.

1. Terms related to regular transactions

Non-Deliverable Forward: A foreign exchange forward transaction that is non-deliverable. Instead of delivering the reference currency (mainly, an emerging market currency) on the settlement date, the settlement is effected by paying/receiving in the settlement currency (usually USD) the difference of the forward settlement exchange rates between the reference currency and the settlement currency.

Value date (market term), Settlement date (ISDA): The day on which a transaction for difference is settled. The day on which the settlement amount is delivered.

Fixing date (market term), Valuation date (ISDA): The day on which the settlement exchange rate for the settlement date is posted on the reference page. This date is normally from one to two business days ahead of the settlement date.

Settlement currency amount: The amount that is to be settled. It is denominated in the settlement currency, and calculated using the following formula (assuming USD as the settlement currency and the currency pair is quoted under continental terms).

Settlement currency amount =
[Notional amount X (1 - Forward rate / Settlement rate)]

	(ex.) Where Bank A buys 10 Mio, USD against KRW at the forward rate of 1,225.8 with Bank B, and the settlement rate on the due date is 1,250.0, Bank B pays USD 193,600 to Bank A on the settlement date. USD193,600＝USD10 Mio X（1-1,225.8/1,250.0）
Settlement rate:	The exchange rate for the settlement. The exchange rate is specified in the confirmation or determined according to the method specified in the confirmation.
Settlement currency:	The currency with which the transaction is settled. It is the currency in which differences are settled in NDF transactions. In many cases, USD is the settlement currency.
Reference currency:	The currency that is referred to. It is the currency on the basis of which the amount of payout in a NDF transaction is determined, but is not the currency that is actually delivered on the settlement date. In most cases, a currency of an emerging market economy serves as the reference currency.
Reference currency notional amount:	Notional ptincipal expressed in the reference currency.
Notional amount:	Notional principal expressed in the settlement currency.
Reference currency buyer:	Buyer of the reference currency.
Reference currency seller:	Seller of the reference currency.
Settlement rate option:	The range of exchange rates that may be adopted as the settlement rate, such as reference pages listing settlement rates.
Unscheduled holiday:	A temporary holiday. It is called when it becomes apparent that the day on which valuation date falls will not be a business day in the major financial market of the reference currency after nine o'clock in the morning on the second business day prior to the valuation date. In this case, the valuation and settlement dates are postponed according to predetermined rules, notwithstanding business day conventions.

2. Terms related to Disruption Events

Disruption event:	Any situation in which settlement cannot be effected according to the standard procedures for rate-setting or settlement, due to disturbances in market functioning induced by political and other developments.

Dual exchange rate:	A type of disruption event. A situation where the rate stipulated under the settlement rate option is quoted as several rates (The 2000 Argentina crisis is regarded as an example. However, a dual exchange rate is not usually stipulated as a disruption event in widely-used NDF confirmations).
Price source disruption:	A typical disruption event. A situation where the settlement rate cannot be obtained on a valuation date.
Disruption fallback:	An alternative procedure for determining settlement rates or procedures to be applied in cases of disruption events.
Fallback reference price:	A typical disruption fallback, which stipulates the procedures for determining the alternative settlement rate in case of a disruption event. More specifically, it includes reference currency-specific definition of alternative rate source pages and non-currency-specific procedures such as currency-reference dealers and currency-mutual agreements.
Currency-reference rate:	An alternative settlement rate determined from the quotation of specific rates supplied by reference dealers on a rate calculation date (For example, making it a rule to obtain four quotations, and determining the alternative settlement rate by discarding the highest and the lowest quotations and averaging the remaining two quotations).
Currency-mutual agreement:	An alternative settlement rate agreed upon by the parties to the transaction prior to the rate calculation date.
Reference dealers:	Dealers who determine the settlement rate. They would provide quotations when an alternative settlement rate is determined under the fallback reference price.
Specified office:	The office that calculates the alternative settlement rate. In principle, the offices of reference dealers.
Specified rate:	The rate that serves as the base in calculating an alternative settlement rate. Example: bid rate, offer rate, average of the bid and offer rates, etc.
Specified time:	The time when an alternative settlement rate is determined.
Calculation agent:	The party which verifies the existence of disruption events, and determines the alternative settlement rate, such as the fall back reference price, based on the disruption fallback procedures. Generally, in NDF transactions, one of the parties to the transaction becomes the calculation agent or both parties become joint calculation agents.
Business days applicable to the valuation date:	Business day as regards the determination of the valuation date (e.g. business day for Seoul in KRW NDF transactions).
Business days applicable to the settlement date:	Business day as regards the determination of the settlement date (e.g. business day for New York in NDF transactions settled in USD).

Premium payment date: The day on which differences are settled.

IX. MISCELLANEOUS TERMINOLOGY

OTC: Abbreviation for "over the counter" as opposed to trading at the Exchange (trading at a listed market). Transactions not conducted among market participants who gather at a certain place, such as the Exchange, but conducted via telephones and dealing machines. The foreign exchange market is one of the most major OTC markets.

Name switch: A case when a bank is not able to trade with the original counterparty due to credit line problems, and the broker arranges another bank to book the trade with each of the original counterparties.

Stuffing: A case when a broker concludes a deal in error, and subsequently discovers the error, with profit/loss arising from a disparity in the market levels from when the transaction was concluded.

Difference: The profit/loss arising from an incident of stuffing.

Settlements by points: To keep a record of each "difference" between a bank and a broker for a certain period and to settle the net amount. Strongly recommended not to be conducted as the practice is considered to increase the risk of fraudulent activities such as deliberately hiding profit and loss.

SSI: An abbreviation for "Standard Settlement Instruction." Settlement instructions for particular currency issued to the counterparty to transactions in advance. Normally, the parties exchange a list of information with regards to the accounts for each currency they use to settle foreign exchange transactions. Subsequently, unless any change is made, settlements in each currency will be made in accordance to the information on the list.

APPENDIX 2 BASIC OPERATIONS AND IMPORTANT POINTS ON TRADING PRACTICES

This section describes cases of foreign exchange and money markets transactions, and summarizes points to keep in mind when carrying out transactions. To prevent trouble from occurring when concluding transactions, the counterparties to transactions are required to avoid the use of ambiguous terms and to indicate necessary information to the counterparty to the transaction, such as the currency, the amount, the value date, the distinction between selling and buying and the transaction rate.

I. SPOT TRANSACTIONS

(a) Transactions using dealing equipment (with XX Bank, Singapore)

XX(Singapore) :	YEN 10 PLS	(Note 1)
YY(Tokyo) :	25-30	(Note 2&3)
XX :	SELL (10)	(Note 4)
YY :	DONE	(Note 5)
	YY BANK TOKYO BOUGHT USD 10 MIO	
	AGST YEN AT 108.25 VAL AUG 8, 2008	
	USD TO OUR NY VIA CHIPS ABA...UID...AND WHERE	
	FOR YOU PLS?	(Note 6)
XX:	YEN TO OUR TOKYO PLS	
YY:	TKS FOR THE DEAL	
XX:	TKS AND BIBI	

(Note 1) This means “SPOT USD/YEN for USD 10 MIO PLS.” Normally when only YEN, EUR, STG, etc. is mentioned, it means a spot transaction against USD. In cases of yen cross transactions, EUR/YEN, STG/YEN, etc. indicate it is a yen- cross transaction, and this is vital to prevent troubles. The trading amount should be stated clearly when making a request to a counterparty for a price.

(Note 2) This means “SPOT YEN IS 108.25-30.” Except in cases of large volatility in rate movements, the “big figure” is usually omitted. In such cases, sufficient attention should be paid to the risk of concluding a deal at the wrong “big figure” due to misunderstandings between dealing counterparties.

(Note 3) Prior to quoting a price, the credit limit availability for the counterparty bank should be checked. In cases where the credit line availability is insufficient to cover the full amount of the transactions requested, prices should be quoted after stating that circumstance clearly (e.g. “YEN 25-30 UP TO 5 ONLY,” etc).

(Note 4) The party to which a price is quoted should indicate as quickly as possible and without holding that price, by mentioning “NOTHING”, or whether they are willing to conclude a transaction. Expressions such as “YOURS (10),” “AT 25” can also be used for the conclusion of transactions. Transaction amounts may be omitted in cases where the amount is stated when requesting a price.

(Note 5) When confirming the transaction, the value date and big figure of the rate should always be confirmed.

(Note 6) In the exchange of payment instructions, the name and location of the bank to which the currency is to be delivered should always be stated clearly.

Special Note：
In the case of spot transactions requiring speed in execution, transaction terminology such as that in the example described above is often abbreviated as much as possible. Counterparties who deal with each other frequently every day in typical cases understand that "YEN 10 PLS" by the other side actually means "SPOT USD/YEN FOR USD 10 MIO PLS." Counterparties dealt with infrequently, however, will not necessarily use abbreviated phrases in the same manner. For example, some overseas banks use "YEN 100" for "SPOT USD/YEN FOR YEN 100 MIO," and "SELL 100" for "WE SELL YEN 100 MIO AGAINST USD." Accordingly, dealing staff should understand well that excessive abbreviation is not only discourteous, but that it also may become a cause of problems and/or conflict. Hence, it is desirable that counterparties make full use of dealing equipment abbreviation keys.

(b) Transactions by telephone (with XX Bank, Tokyo)

XX: This is XX Bank.
YY: This is YY Bank, can we have spot YEN in ten dollars (ten million dollar, Ten) please? (Note 1＆2)
XX: Spot YEN is 30-35.
YY: At 35 10 dollars, please (Ten mine, please).
XX: O.K., done. XX Bank sold to you ten million dollars at 108.35.
This is AA (dealer name).
YY: YY Bank bought USD 10 million at 108.35. This is BB (dealer name). Thank you very much. (Note 3)

(Note 1) The name of the counterparty should always be checked before quoting a price and the availability of credit limits should also be checked.

(Note 2) When conducting transactions by telephone, it is desirable to present beforehand a list of staff members who have been granted the authority to conclude transactions with counterparties.

(Note 3) As transactions conducted over the telephone carry a higher risk of problems and mistakes in the process of making a deal, it is necessary to strive to confirm the details of the transaction reliably by repeating between each other the details of the transaction and by other such actions.

(c) Transaction through brokers

Bank: Where is spot YEN, please?
Broker: It is 30-35.
Bank: Ten yours. (Note 1)
Broker: Seven done. (Note 2)
Bank: O.K., 7 done, who is it?
Broker: It is XYZ Bank.

(Note 1) The terms, "yours" and "mine" should be used. The amount should be stated prior to saying "yours" (or "mine"), e.g. "10 yours," etc.

(Note 2) The amount done should be indicated first.

II. FORWARD TRANSACTIONS

(a) Transactions using dealing equipment (with XX Bank, Singapore)

XX :	YEN SW 6M (100) (Note 1)
YY :	MOM PLS (Note 2)
	180/178
XX :	AT 178 USD 100 MIO
YY :	OK, AGREED
	WE BUY AND SELL USD 100 MIO AGST YEN AT 178
	VAL 10 JUN 2008/10 DEC 2008
	105.50/103.72
	USD TO OUR NEW YORK VIA CHIPS ABA …UID…
	AND YEN DIRECT PLS
XX :	OK AGREED
	YEN TO OUR TOKYO
	AND OUR USD TO OUR NEW YORK PLS
	TKS AND BIBI
YY :	TKS AND HAVE A NICE DAY BIBI

(Note 1) Denotes the transaction, USD/YEN 6 MONTH SWAP. In the case of foreign exchange forward trading, the amount may not be clearly stated. In case of odd dates, the near and far dates should always be clearly noted.

(Note 2) Before the rate is quoted, the terminology is used when it will take time to check the credit limit availability of the counterparty.

(b) Transactions through brokers

Dealer :	Where is 6 month forward YEN, please?
Broker :	It is 180-178.
Dealer :	10 mine (or, At 178, 10 please?).
Broker :	10 please. Counterparty is XYZ Bank.

<u>CASE 1 - Where there is availability in credit limits</u>

Dealer :	Done.	
Broker :	Set the top rate at 105.50?	(Note)
Dealer :	O.K.	

(Note) Top rate (near rate) should be determined based on the spot rate at the time the deal is concluded in the absence of any special agreement.

Special Note :
After concluding a transaction, be sure to confirm with the broker the details of it, such as counterparty’s name, the distinction between selling and buying, the amount, the top rate, the far rate, the settlement date and the settlement method.

CASE 2 - Where there is no credit limit availability

Dealer :	Line Full (or No line).	
Broker :	Nothing done.	

III. OPTIONS TRANSACTIONS

(a) Transactions using dealing equipment (with XX Bank Singapore)

CASE 1 - Buying and selling a Call option

XX:	HIHI FRDS, LF (LOOKING FOR) 18 JUN, 104.50 USD	(Note1)
	CALL YEN PUT	
	USD 50 MIO	
	DELTA 30ISH	(Note2)
	TKY CUT OFF PLS	(Note3)
YY :	MOM PLS 10.8-11.0	(Note4)
XX :	AT 11.0 I BUY USD 50 MIO	
YY :	OK DONE SPOT 102.50	(Note5)
XX :	TKS AGEED	
YY :	MOM FOR PRICING	
	WE SEE 0.9 PCT OF USD FOR PREMIUM DELTA 30 PCT	(Note6)
XX :	AGREED	
	SO XX BOUGHT USD CALL YEN PUT	
	STRIKE104.50	
	AMT USD 50 MIO	
	EXPIRATION 18 JUN 2008	
	TKY CUT OFF	
	DELIVERY 20 JUN 2008	
	PREMIUM USD 450,000	(Note7)
	ON HEDGE XX SOLD USD 15 MIO AGST YEN	(Note8)
	AT 102.50 (PREMIUN AND HEDGE)VAL10APR2008	(Note9)
	OUR YEN TO OUR TOKYO PLS	
YY :	OK ALL AGREED	
	PREMIUM TO OUR NYK	(Note10)
	AND ON HEDGE OUR USD TO OUR NYK PLS	
	TKS FOR THE DEAL BIBI	
XX :	BIBI	

(Note 1) The date is the expiry date. If the year is not specified, the year is the current year.

(Note 2) In interbank options trading, on the assumption that the delta hedge transaction will be done at the same time, prices are quoted in terms of volatility. When a bank wishes to trade with the actual premium amount without delta hedge, the bank in question should clearly state "live price," or "without delta" when requesting for a price.

(Note 3) In regard to options cut off times, in the absence of any indication otherwise, this will be 3:00 p.m. Tokyo time for deals done in the Tokyo market.

(Note 4) Confirmation of credit limit availability for the counterparty bank should be obtained prior to quoting a price.

(Note 5) Upon conclusion of a deal quoted in terms of volatility, the spot rate (mid-rate of the current spot market rate) should be promptly decided.

(Note 6) The premium is usually settled in USD. If both counterparties agree, it can be settled in other countries (yen in case of USD/JPY deal).

(Note 7) This means the premium is 0.90% of USD (premium for each unit of the options) × USD 50 mio (options face value) = 450,000 USD (actual premium amount).

(Note 8) Confirming the details of the foreign exchange transaction for delta hedge. XX Bank, by purchasing a USD call/YEN put from YY Bank, is potentially long USD and short YEN (Options face value USD 50 mio × delta 30 % = USD 15 mio). To negate this, XX Bank concludes with YY Bank a spot transaction, selling USD 15 mio against YEN.

(Note 9) Although it is mentioned "Premium and hedge" here, it is understood that the payment and receiving date of the premium and the delta hedge transaction shall be on the same day. However, it is worth noting that some counterparties may need to confirm this.

(Note 10) YY Bank indicates their receiving agents for the delta hedge transaction and for the premium they will receive.

Special Note：
When the relevant parties disagree over levels of deposit rate and/or forward rates used for the options premium calculations, appropriate levels should be confirmed with an independent third party (mainly brokers).

CASE 2 - Buying and selling a Straddle

XX:	ANY INTEREST	
	USD/YEN OPTION 1 M ATMF 50 MIO PLS	(Note1&2)
	TKY CUT OFF PLS?	
YY：	HIHI FRDS MOM PLS	
	10.2-10.5	
XX：	AT 10.2 I SELL USD 50 MIO PLS	
YY：	OK DONE SPOT 102.50?	
XX：	TKS AGEEED	
YY：	MOM FOR PRICING	
	WE SEE STRIKE 102.25 AND	
	PREMIUM 2.4 PCT OF USD IN TOTAL	
	1.19 PCT ON USD PUT, 1.21 PCT ON USD CALL	
XX：	AGREED	
	SO XX BANK SOLD USD/YEN STRADDLE	
	STRIKE 102.50	
	USD 25 MIO A LEG	
	EXPIRATION 08 MAY 2008	
	DELIVERY 12 MAY 2008	
	CUT OFF TIME 3:00 PM IN TOKYO TIME	
	PREMIUM USD PUT/YEN CALL USD 455,000	
	USＤ CALL/YEN PUT USD 470,000	
	VAL 10 APR 2008	（Note3）
	DELTA NET OUT	（Note4）

	OUR USD TO OUR NYK	
YY :	OK ALL AGREED	
	TKS VM FOR THE DEAL AND HAVE A NICE DAY	
XX :	BIBI	

(Note 1) Normally this means a straddle transaction for 1M delta neutral straddle transaction.

(Note 2) In the case of a straddle transaction, it is quoted in this case as USD 50 MIO usually means USD 25 MIO A LEG, i.e. the sum of two notional amounts of USD PUT/YEN CALL for USD 25 MIO and USD CALL/YEN PUT for USD 25 MIO. In the case of a strangle transaction, however, it is normally stated as USD 25 MIO A LEG.

(Note 3) The date premium is paid or received.

(Note 4) Although this example is an interbank transaction which usually involves a delta hedge transaction, for straddle and strangle options, which consist of a put and a call are of the same delta, the buying and selling foreign exchange transactions will be netted out, and consequently needs no hedge operations.

Special Note 1 :
The strike price of a delta neutral straddle, which is usually refered to as ATM straddle, varies depending on the currency used for the payment and receit of the premium. While options are generally priced in USD, a request for other currencies being used for USD shall be clealy stated in advance.

Special Note 2 :
Expiration dates may defer by cut-off time because of holidays in the Tokyo and overseas markets, in which case it is essential to clarify the cut-off time.

(b) Transactions through brokers

Dealer :	Where is 6 month USD/YEN, please?	(Note1)
Broker :	10.0 - 10.22	
Dealer :	20 mine.	(Note2)
Broker :	20 done, your counterparty is YY Bank.	

<u>CASE 1 - Where there is availability in credit limits</u>

Dealer :	Done. Spot 102.50 YEN.
Broker :	Counterparty agrees. To confirm you buy a straddle from YY Bank for USD 20 MIO, strike 100.75 YEN, expiration date is 08 Oct 2008, delivery date is 10 Oct 2008, premium total 5.70% for USD Put/YEN Call 2.74% of USD for USD Call/YEN Put 2.96% of USD delta net out and cut off time 3:00 p.m. Tokyo.
Dealer :	O.K., agreed.

CASE 2 - Where there is no credit limit availability

Dealer : Limit full.

Broker : Nothing done.

(Note 1) This means a six month USD/YEN delta neutral straddle transaction. Straddle is commonly used in volatility dealing.

(Note 2) Declaring the dealer at the bank wants to buy the straddle.

IV. MONEY TRADING

(a) Transactions using dealing equipment (with XX Bank, Singapore)

XX :	HIHI, 3M USD DEPOSIT PLS?	
YY :	HIHI FRIENDS	
	3M IS 1.80-1.70 PLS	(Note 1, 2&3)
XX :	AT 1.80 I TAKE USD 10 MIO	
YY :	OK, AGREED	
	YY BANK TOKYO GIVES USD 10 MIO AT 1.80	
	VAL 10 APRIL 2008 AND 10 JUL 2008	
	OUR USD TO OUR NEW YORK VIA CHIPS ABA…	
	UID…PLS UNDER JOM BASE PLEASE	(Note 4)
XX :	OK, AGREED	
	USD TO OUR NEW YORK PLS	
	TKS FOR THE DEAL BIBI	
YY :	TKS AND HAVE A NICE DAY	

(Note 1) Whenever lending funds, after checking credit line availability prior to quoting a price, all transactions should be conducted within the limit.

(Note 2) In the Tokyo market, prices are normally quoted in the order of “offer, bid” (in the above example, 1.80 is the offer and 1.70 is the bid). In the London market, prices are also quoted in the order of “offer, bid,” but in the New York market they are in the order of “bid, offer”.

(Note 3) In practice, prices are normally quoted ONE WAY in the market. Depending on the funding requirement of the bank making the price quotation, in cases where the bank only needs to take funds, a common quote is “WE PAY AT 1.70.” In cases where the bank only needs to lend funds, a common quote is “WE OFFER AT 1.80”.

(Note 4) Transactions in the Tokyo market are normally “UNDER JOM BASE.” However, transactions in overseas markets are usually “UNDER DEPO BASE” or “UNDER CALL BASE”.

(b) Transactions through brokers

Dealer : 6M USD deposit, please?

Broker : 1.70-1.60.”

Dealer : Ten yours (or, 10 mio at 1.60).

Broker : Ten please. Counterparty is XYZ bank.

CASE 1 - Where there is availability in credit limits

Dealer : O.K., done.

CASE 2 - Where there is no credit limit availability

Dealer : Line (Limit) full.

Broker : Nothing done.

V. NDF TRANSACTION

(a) Transactions using dealing equipment (with XX Bank Tokyo)

XX : 1M KRW NDF IN 10 PLS?

YY : 00/30

XX : I BUY

YY : DONE
YY SOLD USD10 MIO AGST KRW AT 976.30
VAL 12 MAY 2008
FIX 09 MAY 2008
REF PAGE KFTC18
USD IF ANY TO OUR NY PLS

XX Bank : AGREED USD IF ANY TO OUR NY PLS

(b) Transactions through brokers

Dealer : WHERE IS 1 M KRW NOW PLS?

Broker : 24/25

Dealer : I PAY 24 FOR 5

Broker : OK, I AM WATCHING YOUR BID AT 24 FOR 5
……………………

Broker : I GIVE YOU 5 AT 24 (COUNTERPARTY IS) YY, SPR

Dealer : OK, GOOD NAME
I BOUGHT USD 5 MIO AT 976.24 FROM YY BANK, SPR

Broker : THANK YOU, I WILL SEND YOU CONFIRMATION SOON
(ON REUTER OR FAX)
<CONFIRMATION>
XX BANK TOKYO BOUGHT USD 5 MIO AGST KRW AT 976.24
COUNTERPARTY IS YY BANK, SPR
MAR 08 MAY 2008
FIX 09 MAY 2008
VAL 12 MAY 2008

This Code of Conduct has been compiled and issued by The Tokyo Foreign Exchange Market Committee.

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