

To: Responsible Officers of NDF Transactions

From: Tokyo Foreign Exchange Market Committee

Re: Confirmations of NDF Transactions

The Tokyo Foreign Exchange Market Committee is a voluntary organization that aims to develop and promote the foreign exchange market in Tokyo. One of our recent projects have been to conduct an investigation related to the confirmation process of NDF transactions. As you may know, forward deals for currencies that are often difficult to trade due to regulatory restrictions, are made possible through the NDF transactions. Recently, NDF activity has increased significantly in the Tokyo Market, but the quality of its confirmation process still leaves much to be desired. Even after the establishment of the standardized confirmation form which was created and used globally based on the suggestions of the EMTA (September 2000), only 10-20% of the actual confirmations exchanged in the Tokyo Market are returned with proper signatures. This compares poorly to what is practiced in the NY market, and we have heard that the situation is almost the same in Asian market. In view of the fact that NDF currencies face relatively higher event risks, any deficiency in the confirmation process may leave the market vulnerable to disruptive events and result in heightened risks for both parties. Noting the fact that the NDF is a useful product and a generally accepted transaction in the global market, it is in our goal to develop a more convenient, and well functioning market in Tokyo. To this end,, we are encouraging the use of a confirmation form drawing on the EMTA proposals. We are now selecting various banks that engage in NDF transactions and asking representatives from both the front and back offices to provide us with their opinions on such confirmations, so that we will be able to assess the current status more accurately.

If you could please fill out the attached questionnaire, we would appreciate it very much. The results of our findings will be reverted back to you for your information.

Finally, we would like to let you know that information regarding our Organization and other FX related matters can be found under the following URL. In addition, we have created a section in Japan Forex Club's web site so that exchange of opinion may be possible. If a member should have any opinion or question regarding NDF confirmation, we would appreciate it very much if you could contact us here or our direct E-mail address(fxcomtky@boj.or.jp).

We understand that you have other engagements, and appreciate for making the time to answer the questionnaire. We are looking to collect the results by the end of February, so if you could please provide us with the information by then.

Thank in advance for your help, and looking forward to hearing from you.

URL for the *Tokyo Foreign Exchange Market Committee*: <http://www.fxcomtky.com>

URS for the *Japan Forex Club*: <http://www.forexclub-japan.com>