

October 4, 2001

Minutes of the 45th Meeting of the Tokyo Foreign Exchange Market Committee

Time and date of the meeting: 13:00-14:40 June 21, 2001
Venue: Bank of Japan
Chairperson: Mr. Tomomasa Sumida (Bank of Tokyo-Mitsubishi)
Vice-chairperson: Mr. Takashi Okura (Barclays Bank)
Vice-chairperson: Mr. Takeshi Hanai (Industrial Bank of Japan)
Secretary: Mr. Hirochika Nishikawa (Bank of Japan)
Attending committee members: 16

1. Activities of Sub-committees

(1) Sub-committee on Education

Mr. M. Imai, the chairperson of the Sub-committee, reported as follows.

(i) The Sub-committee was planning to hold the next FX seminar at the beginning of September. It was now in the process of selecting subjects that would attract the interest of market participants. It would ask the Forex Club to cosponsor this seminar.

(2) Sub-committee on Legal Matters

Mr. T. Kanagami, the chairperson of the Sub-committee, reported as follows.

(i) The publication of the Japanese users' guide of the "ISDA 1998 Definitions" was expected to be around the end of September. After the publication, it was planning to hold a joint seminar with ISDA Japan.

(ii) At the 44th meeting, the Sub-committee was requested to consider which should be incorporated in Appendix 3 of the Model Code as recommended documentation, and to produce a brief overview of such documentation, as "Terms and conditions for financial instruments". Through our discussion, the Sub-committee decided to list the following agreements. An overview would be submitted to the Sub-committee on the Model Code as soon as possible.

- the ISDA Master Agreement
- the International Foreign Exchange Master Agreement (IFEMA)
- the International Foreign Exchange and Options Master Agreement (FEOMA)
- the International Currency Options Market Master Agreement (ICOM)
- the International Deposit Netting Agreement

(3) Sub-committee on E-commerce

Mr. H. Note, the chairperson of the Sub-committee, reported as follows.

(i) The Sub-committee invited an expert from EBS, to be briefed on risk

management in case of problems with electronic systems.

- (ii) Concerning the point raised at the 44th meeting, that whether Japanese residents would be subject to reporting requirements if they entered into FX transactions with non-residents through multi-portal electronic systems, the Sub-committee confirmed with the Bank of Japan that reporting obligation arose irrespective of the measures used for transactions.

(4) Sub-committee on T+1

Mr. K. Kobayashi, the chairperson of the Sub-committee, reported as follows.

- (i) The Sub-committee was developing a questionnaire to fund managers in order to gauge their understanding of issues raised by T+1. A brief overview of the ongoing discussions on T+1 would be attached to the questionnaire to enhance the awareness of issues among fund managers.

(5) Sub-committee on CLS

Mr. T. Ichikawa, the chairperson of the Sub-committee on CLS, reported as follows.

- (i) The Sub-committee was planning to review if are any changes in front office business practices would be required as a result of the introduction of CLS. If changes were envisaged, the Sub-committee would draw the attention of market participants to such changes. It might also be possible for the Committee to convey its views to CLS, although care should be taken for communication channels and formats. In view of such considerations, the Sub-committee would invite experts on CLS matters and discuss issues as they arose.

(6) Sub-committee on the Model Code

Mr. T. Kanagami reported that the working group held a meeting to review Chapter 6 “Brokers and Brokerage” of the ACI Model Code and the Tokyo Code of Conduct (Orange Book). On divergences found and on the Sub-committee’s examination on each item if it was necessary to revise the Orange Book, the report was as follows.

- (i) The Model Code had an article on “Electronic broking”(Article 3), while the Orange Book had only a note. An article should be added in accordance with the Model Code. Also, Electronic Broking should be mentioned in Article 19 “Handling of Orders” as well.
- (ii) As for the contents of predetermined conditions between dealers and brokers, both the Model Code and the Orange Book had detailed provisions. As some of these seem too detailed, the Orange book would need only updates.

The Committee approved the report, and it was decided that the sub-committee should continue its deliberations accordingly.

2. Contingency schemes for electronic broking systems

Mr. K. Ooki from EBS Dealing Resources Japan Ltd. was invited to explain the global contingency system at EBS, such as the backup arrangements for communication links.

3. Other Issues

(1) Overseas committees

Mr. M. Imura reported that the Committee received the list of issues discussed at the June meeting of the New York FX Market Committee.

Next, Mr. M. Imura reported that there was an inquiry from the Hong Kong FX and Money Market Committee whether members of the Tokyo FX Market Committee would be able to attend an international conference scheduled for this November. The Chair replied that there was an intention to send representatives from Tokyo. The Committee approved the report and decided to consider details at future meetings.

(2) Reporting Obligation on Thai Baht

Mr. M. Imura reported that the Bank of Thailand announced that it was planning to strengthen the reporting obligation of baht trading by non-residents. The plan was withdrawn but the Committee decided to carefully follow up the matter.

**List of Tokyo Foreign Exchange Market Committee Members
(June 21, 2001)**

Members

Chairperson:

Mr. Tomomasa Sumida* (Bank of Tokyo-Mitsubishi)

Vice-chairpersons:

Mr. Takeshi Hanai* (Industrial Bank of Japan)

Mr. Takashi Okura* (Barclays Bank)

Secretary:

Mr. Hirochika Nishikawa* (Bank of Japan)

Chairperson of the Sub-committee on Committee Steering
and the Sub-committee on Public Relations:

Mr. Hiromitsu Kato* (Nomura Securities)

Chairperson of the Sub-committee on Education

Mr. Masato Imai* (The Sanwa Bank)

Chairperson of the Sub-committee on Legal Matters:

Mr. Takeshi Kanagami* (The Mitsubishi Trust and Banking Co.)

Chairperson of the Sub-committee on E-commerce:

Mr. Hirokazu Note* (Sumitomo Mitsui Banking Corporation)

Chairperson of the Sub-committee on T+1:

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

Chairperson of the Sub-committee on NDF/CFD:

Mr. Toru Ichikawa* (Fuji Bank)

Chairperson of the Sub-committee on the Model Code

Mr. Nao Nakajima* (Standard Chartered Bank)

Mr. Takao Sakoh* (UBS)

Mr. Eiichi Ishikawa* (EBS Dealing Resources Japan)

Mr. Noriaki Kanda* (Reuters Japan)

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

Mr. Shuji Kawanabe (The Chase Manhattan Bank)

Mr. Daisuke Kono* (Citibank)

Observers

Mr. Yoshihiko Noguchi* (Money Brokers Association)

Mr. Takashi Kawazoe (Bank of Japan)

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

Mr. T. Kabe* (Industrial Bank of Japan)

*Attended the meeting.