

February 25, 2001

Minutes of the 50th Meeting of the Tokyo Foreign Exchange Market Committee

Time and date of the meeting: 13:00-15:30 January 22, 2002
Venue: Bank of Japan
Chairperson: Mr. Tomomasa Sumida (Bank of Tokyo-Mitsubishi)
Vice-chairperson: Mr. Kazunari Kobayashi (State Street Bank)
Vice-chairperson: Mr. Takeshi Hanai (Industrial Bank of Japan)
Secretary: Mr. Hirochika Nishikawa (Bank of Japan)
Attending committee members: 16

1. Election of Chairperson

With the expiry of Mr. T. Sumida's (Bank of Tokyo Mitsubishi) term as the chairperson, an election was held. Mr. Sumida ran for another term and was elected by the Committee.

2. Contingency Planning

Mr. H. Kato (Nomura Securities), the chairperson of the Sub-committee on Committee-Steering, reported that a draft contingency plan had been drawn up, by members of the Sub-Committee on committee steering through exchange of e-mails. The main thrusts of the plan were as follows.

- (a) The plan was developed with the view to be implemented not only in case of extreme disasters such as the U.S. terrorist attack, but also in cases where prompt responses are to be warranted such as the recent introduction of NEW regulation by Malaysia or Indonesia.
- (b) It was made clear that the Committee itself would, in principle, take actions even in contingencies. The Contingency Action Task Force would be established only in case there was a need to take actions in place of the whole.
- (c) The procedures stressed the importance of establishing lines of communication among members.
- (d) The Contingency Action Task Force would be established by a decision by the Chairperson. Other Committee members could also propose its establishment.
- (e) The plan incorporated a clear procedure for appointing an acting Chairperson. It was decided that Committee members belonging to BOJ would not be appointed (while taking part in Committee activities).
- (f) The Task Force may make statements in the name of the Committee if

the members unanimously agree to take such an action (such decisions must be reported to the whole Committee as soon as possible).

Following the report, concerning points (b) and (f), Committee members supported to regard the Task Force as a subsidiary body of the Committee and thus placing it under the Control of the Committee. Point (e), on the exemption of the BOJ member from becoming the acting Chairperson, considered the function of the acting Chairperson contacting and negotiating with the authorities in contingencies. In addition, following views were expressed, "To ensure the function of the contingency plan, simulation exercises should be conducted with certain scenarios," "Since it would be difficult to think of every types of contingency and draw up best practices for each case in advance, it might be feasible and appropriate to conduct drills on message transmission."

As a result of discussions, it was decided that the Sub-Committee would continue to discuss the details of the plan including procedures of conducting drills.

3. Activities of Sub-Committees

(1) the Sub-Committee on Public relations

Mr. Y. Kawazoe (Barclays Bank), chairperson of the Sub-Committee, reported as follows.

- (a) The Sub-Committee would look into the increase of public relation channels with a view to providing information in case of contingencies.
- (b) The contents of the Committee web-site would be reviewed accordingly.

(2) the Sub-Committee on Legal Matters

Mr. T. Kanagami (Mitsubishi Trust and Banking. Co) reported that the seminar about the user's guide for 1998 FX and Currency Option Definitions was held with 94 participants on 26th November 2001.

(3) the Sub-Committee on E-Commerce

Concerning a plan of this year's activities, Mr. H. Note (Sumitomo Mitsui Banking Corporation), the chairperson of Sub-Committee, reported as follows.

- (a) Efforts would be continued on examining multi-dealer e-trading systems such as Fxall and Atriax in view of the Sub-Committee's aim of discerning the effects of e-trading on forex markets.
- (b) Contingency plans in case of system outages would be examined.
- (c) Potential problems arising from the growing number of inter-bank players who are providing their customers with modified data of EBS and REUTERS platforms would be examined.
- (d) Information would be exchanged with the overseas FX Committees.

(4) the Sub-Committee on T+1

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

- (a) A discussion paper was under development. The paper was to be approved and endorsed as a report of the Committee.
- (b) The report was to be submitted to the Sub-Committee on T+1, of NYFXC after translation into English.
- (c) The activity of the Sub-Committee would be wound up with for the time being with the submission of the paper. In case further considerations were required, new Sub-Committee was to be established with new members.

(5) the Sub-Committee on NDF

Mr. H.Inamura (Citi Bank), the chairperson of Sub-Committee, reported as follows.

Following the result of the survey (questionnaire) about NDF's, it was planned to visit individual institutional asset managers to ask the reason why NDF's were not used in Tokyo market in spite of potential interest. The interviews would focus on points given below.

- (a) Identifying costs and regulation risks pointed out by the users such as fund managers.
- (b) Surveying possible improvements concerning banks' services such as improved documentation in Tokyo Market.
- (c) Potential demand for JPY settled NDF trading, and problems in drawing prices in JPY.

(6) the Sub-Committee on Model Code

Mr. N.Nakajima (Standard Chartered Bank), the chairperson of Sub-Committee, presented the interim report on the examination of the ACI Model Code as follows, and the future activities of the Sub-Committee was discussed.

The Sub-Committee had almost finished the examination of articles that were stipulated by the Model Code but that were not covered by the Orange Book (Code of Conduct).

Following this effort, it needed to be determined, whether Orange Book should be revised.

Concerning above, most of the Committee members agreed that Orange Book be revised, taking it into consideration that market convention and customs had changed since Orange Book was published in 1998. In particular, the Orange Book included much items on old practices such as the relationship between voice brokers and dealers.

As a result of deliberations, the following was decided.

Based on the examination of the Sub-Committee so far, the Committee should revise the Orange Book.

Concerning the revision, the time frame, members, and framework of the work should be examined at the Sub-Committee on Committee Steering, taking into account the examination conducted by the Sub-Committee on Model Code so far. The results of this would be examined at the next Committee meeting.

(7) the Sub-Committee on CLS

Mr. T. Ichikawa, the Chairperson of the Sub-Committee, reported as follows.

The Sub-Committee had largely completed the process of identifying issues to be examined on introducing CLS settlement. Nevertheless, the points given below were not sufficiently covered in detail because of insufficient information.

- (a) The practicality of transmitting confirmations within two hours after trading.
- (b) Contingency plan
- (c) Credit line usage when inside-outside swap were conducted.
- (d) The possibility for settlement members of refusing transactions with some specific settlement members for some reason.

Other issues which had been discussed by the Sub-Committee are to be tackled as CLS goes on line.

(8) the Sub-Committee on Committee Steering

Mr. H. Kato (Nomura Securities), the Chairperson of the Sub-Committee, proposed the following action plans. All were approved.

The development of the Committee's contingency plan.

Strengthening contacts with overseas FX Committees.

Reconsidering the bylaws of the Committee.

Supporting the Sub-Committee activities

4. Other Issues

<The Joint Meeting of FX Market Committee in HK>

Concerning the joint FX Market Committee held on 22nd November, Mr. T. Sumida (Tokyo Mitsubishi Bank), the Chairperson of the Committee, reported as follows.

The contents of Mr. Sumida's presentation were as follows; (a) Overview of recent developments in the Tokyo FX Market according to the BIS Survey, (b) Report of Tokyo FX Market Committee Meeting's activities, (c) Discussion on Contingency Planning at the Tokyo FX Market Committee. The topics by other FXC were mostly similar.

At the joint committee, there were discussions concerning CLS, NDF,

Model Code, Global Contingency Plan, etc.
List of Tokyo Foreign Exchange Market Committee Members
(20 January, 2001)

Members

Chairperson:

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

Vice-chairpersons:

Mr. Takeshi Hanai* (Industrial Bank of Japan)

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

Secretary:

Mr. Hirochika Nishikawa* (Bank of Japan)

Chairperson of the Sub-committee on Committee Steering

Mr. Hiromitsu Kato* (Nomura Securities)

Chairperson of the Public Relations

Mr. Yutaka Kawazoe* (Barclays Bank)

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 CLS:

Mr. Toru Ichikawa* (Fuji Bank)

Chairperson of the Sub-committee on NDF/CFD:

Mr. Hidehiko Inamura* (Citibank)

Chairperson of the Sub-committee on the Model Code

Mr. Nao Nakajima* (Standard Chartered Bank)

Mr. Eiichi Ishikawa* (EBS Dealing Resources Japan)

Mr. Noriaki Kanda* (Reuters Japan)

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

Mr. Shuji Kawanabe (The JP Morgan Chase Bank)

Observers

Mr. Yoshihiko Noguchi* (Money Brokers Association)

Mr. Satoshi Kawazoe* (Bank of Japan)

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

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

*Attended the meeting.

