

November 21, 2003

**Minutes of the 66th Meeting
of the Tokyo Foreign Exchange Market Committee
(TFXMC)**

Time and date of the meeting: 13:00-15:30 July 17, 2003
Venue: Bank of Japan
Chairperson: Mr. Tetsuji Ogino (Bank of Tokyo-Mitsubishi)
Vice-chairperson: Mr. Kazunari Kobayashi (State Street Bank)
Vice-chairperson: Mr. Akio Kashima (Mizuho Corporate Bank)
Secretary: Mr. Satoshi Kawazoe (Bank of Japan)
Attending committee members: 16

. Election of officer

Mr. Ogino (Bank of Tokyo-Mitsubishi), Chairperson of the Committee, reported that the term of Mr. Kawazoe (Bank of Japan) as secretary of the Committee had expired. Mr. Kawazoe expressed his wish to serve for another term and was unanimously reelected as secretary of the Committee.

. Activities of Sub-Committees

(1) The Sub-Committee on Committee Steering

Mr. Note (Sumitomo Mitsui Banking Corporation), Chairperson of the Committee, presented a draft revision of the Charter of the Committee prepared by the Sub-Committee and it was agreed that members of the Committee would

make comments on its contents, if necessary. He also reported that the Sub-Committee would continue to discuss the contents of the revision and would check the necessity of obtaining a legal opinion thereof.

(2) The Sub-Committee on Legal Matter

Mr. Takeda (The Mitsubishi Trust and Banking Co.), Chairperson of the Sub-Committee, summarized the Sub-Committee's discussion on issues related to "Undisclosed Principal transaction."

After a review by the Committee, it was decided that ACI press release (May 28, 2003) would be inserted in Orange Book 2003 Edition as "Supplementary Note" with a comment below.

ACI announced a press release below on May 28th, 2003.

The Tokyo Foreign Exchange Market Committee shares the concerns of ACI on the practice of dealing with unidentified principals, and supports the updated guidelines on the market practice of dealing with unidentified principals.

In this respect, however, we wish to clarify the understanding of this committee as follows:

According to the Japanese laws and regulations, the trust bank concerned acting in the capacity of the trustee is considered to be the legitimate principal as far as a foreign exchange deal between a trust account in Japan and a bank or other institution is concerned. Furthermore, it is the trust bank that is obligated to confirm the identities of the trustor and beneficiary concerned.

Therefore, if the fund manager concerned informs that a certain foreign exchange deal is a deal conducted by a trust account of XX trust bank, it is tantamount to the fund manager specifying the name of the principal of the deal. In this case, such foreign exchange deal is not a deal or transaction which is against the main aim of ACI's opinion.

(3) The Sub-Committee on the Code of Conduct

Mr. Nakajima (Standard Chartered Bank), Chairperson of the Sub-Committee, reported that English translation of Orange Book 2003 Edition was finished with the cooperation of Sub-Committees concerned and that it would be published after editorial reviews are completed.

(4) The Sub-Committee on Education

Mr. Imai (UFJ Bank), Chairperson of the Sub-Committee, reported that the Forex Seminar held on July 8th was a great success, and thanked for the cooperation of the Committee members. He added that the Committee would continue to work together with the ACI Japan on the next Forex Seminar.

(5) The Sub-Committee on Market Research

Mr. Kashima (Mizuho Corporate Bank), Chairperson of the Sub-Committee, reported as follows on discussion on the Sub-Committee meeting regarding a new product of EBS named "Prime Broker".

(a) EBS would confirm that there should be no problems in identifying Counterparty in "Prime Broker" transaction in light of "Know Your Customer policy" through following measures.

to review legal framework of "Prime Broker" and to check that it would not be regarded as a "Name Switch" nor a "Give Up Agreement."

to confirm that it would not be regarded as "Proprietary Trading Systems" under the Securities Exchange Act.

(b) The Sub-Committee was concerned about the uncertainties that still existed regarding responsibilities of the front and back offices of Prime Broker Bank (PBB) (ex. "miss hitting" of Prime Broker Customer (PBC), transition to CLS, and execution of security contract such as CSA), and requested EBS to issue recommendations on these matters. EBS suggested that it would look into the contracts between EBS and PBB and between EBS and PBC.

- (c) EBS would formally present a definition of PBC by the Sub-Committee's request to make clear of its criteria.
- (d) The Sub-Committee would consider the answers of EBS to the above requests and discuss the Committee's measures.

Mr. Oki (EBS Dealing Resources Japan) reported that the full introduction of the product might be postponed, because of delays in the pilot program in London market.

(6) The Sub-Committee on NDF

Mr. Inamura (Citibank), Chairperson of the Sub-Committee, made the following presentation. The proposal in the Committee was approved and the Sub-Committee would send it to the New York Foreign Exchange Market Committee.

- (a) The Sub-Committee would send a revised feedback of the NDF questionnaire to respondents and overseas FX market committees. And it would also be uploaded on the website of the Committee and ACI Japan.
- (b) The Sub-Committee presented English translation of "TERMINOLOGY USED EXCLUSIVELY FOR NDF TRANSACTIONS" to the Sub-Committee on the Code of Conduct. It would be attached to the Orange Book 2003 Edition.
- (c) In a conference meeting of Asian NDF Working Group held on June 24th, participants agreed on a principle that we would revise the present Asian NDF Template in order to cope with potential Disruption Event more effectively. And they discussed following issues.

Application of "Price Materiality Disruption Event"

- Although participants agreed that an official rate should be used as a fixing rate, they were divided in application of "Price Materiality Disruption Event" between an opinion to apply it to INR and RMB and an opinion not to apply it to all currencies.
- The Sub-Committee supports the latter.

Term of "Unscheduled Holiday"

- Participants are divided between an opinion to support “14 days” and an opinion to support “14 to 30 days.”
- The Sub-Committee supports the former in view that uncertainties should be kept to a minimum.

Prolonged term of “Price Source Disruption”

- The Sub-Committee supports a proposal of 48 hours.

Template of Indonesian Rupiah

- The Sub-Committee concluded that EMTA should propose IDR Template. It also concluded that definition of IDR Settlement Rate Option should also stipulate that the settlement rate is quoted on the basis which off-shore banks regard as current at an on-shore market.

(7) The Sub-Committee on CLS

Mr. Ichikawa (Mizuho Bank), Chairperson of the Sub-Committee, reported that CLS Tokyo office would like to meet the request of the Committee by explaining the troubles at CLS on the next meeting of the Sub-Committee.

List of Tokyo Foreign Exchange Market Committee Members
(7 July, 2003)

Members

Chairperson:

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

Vice-chairperson and Chairperson on Market Research:

Mr. Akio Kashima* (Mizuho Corporate Bank)

Vice-chairperson:

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

Secretary:

Mr. Satoshi Kawazoe* (Bank of Japan)

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

Mr. Hirokazu Note* (Sumitomo Mitsui Banking Corporation)

Chairperson of the Public Relations:

Mr. Noriaki Kanda* (Reuters Japan)

Chairperson of the Sub-committee on Education:

Mr. Masato Imai* (UFJ Bank)

Chairperson of the Sub-committee on Legal Matters:

Mr. Keiichiro Takeda* (The Mitsubishi Trust and Banking Co.)

Chairperson of the Sub-committee on CLS:

Mr. Toru Ichikawa* (Mizuho Bank)

Chairperson of the Sub-committee on NDF:

Mr. Hidehiko Inamura* (Citibank)

Chairperson of the Sub-committee on the Code of Conduct:

Mr. Nao Nakajima* (Standard Chartered Bank)

Mr. Fumihiko Kawano* (Nomura Securities)

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

Mr. Tadahiko Nashimoto (Barclays Bank)

Mr. Masayoshi Takegawa* (Merrill Lynch Japan Securities)

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

Mr. Kazuhiro Oki* (EBS Dealing Resources Japan)

Observers

Mr. Yoshihiko Noguchi* (Money Brokers Association)

Mr. Tetsuya Inoue* (Bank of Japan)

Mr. Mitsuhide Terasawa* (Bank of Tokyo-Mitsubishi)

Mr. Koichi Takenaka* (Mizuho Corporate Bank)

*Attended the meeting.