

July 6, 2000

Minutes of the 34th Meeting of the Tokyo Foreign Exchange Market Committee

Time and date: 13:00-15:15 May 26, 2000
Meeting place: Bank of Japan
Chairperson: Mr. Toshiyuki Morioka (Bank of Tokyo-Mitsubishi)
Vice-Chairpersons: Mr. Takashi Okura (Barclays Bank)
Mr. Takeshi Hanai (Industrial Bank of Japan)
Secretary: Mr. Hirochika Nishikawa (Bank of Japan)
Committee members attending: 14

1. Resignation and appointment of member

The Committee discussed how to deal with the vacancy in the position of Secretary and member of the Committee which had resulted from the resignation of Mr. M. Tanaka (Bank of Japan). Although the Committee had adopted a temporary principle at the last meeting to suspend any new appointments until a new appointment system could be established, the Committee members unanimously agreed to appoint a new member nominated by the Bank of Japan as successor to Mr. Tanaka in consideration of the current situation whereby the Committee is considering requesting the Bank of Japan to strengthen its relationship with the Committee as well as support given it. Therefore, the Committee appointed Mr. H. Nishikawa (Bank of Japan) as a new member. Mr. H. Nishikawa was also appointed Secretary of the Committee.

Mr. S. Ozaki (Tokyo Forex & Ueda Harlow) expressed his intention to resign at the end of his term of office on May 31. In this case, the Committee agreed to follow the above-mentioned principle and, thus decided not to solicit a new member for the moment.

Moreover, among the members of the Executive Committee, the Chairperson and one of the Vice Chairpersons, Mr. T. Morioka and Mr. T. Okura respectively, were reappointed prior to the expiration of their one-year term on May 31.

2. Proposals for Reforming the Committee

Mr. H. Kato, Chairperson of the Sub-committee on Committee Steering, reported the results of the discussion in the Sub-committee as follows.

(1) At the meeting held on May 25, members of the Sub-committee agreed that (a) the

Committee needs to assure the Bank of Japan that it is worth while for the Bank to support it, and (b) each member ought to make a more active contribution to the Committee, including aid from their institutions.

- (2) The Sub-committee suggested modifying the agreement of the Committee, which is in line with the above mentioned views.

The Committee discussed the suggestion and approved it. Consequently, it was also decided that all members would examine the following issues: (a) what kind of subjects should the Committee tackle, (b) the extent to which the Committee should be involved in activities regarding each subject, and (c) to what extent members' institutions could provide necessary resources for such activities.

3. Settlement of Spot Transactions on T+1

Concerning the feasibility of changing the settlement date of spot transactions from the conventional T+2 to T+1, members reported the results of the study on the current circumstances at their institutions. The following opinions were presented by some members from Japanese banks: "Due to the time difference, the back office would suffer from insufficient time to deal with transactions, and measures for foreign currency investment or funding would be limited."; "T+1 requires us to introduce 24-hour operation to the back office, or to move or concentrate back offices to Europe or the United States, and either would be quite costly."; and "We should recognize the fact that operational risk would inevitably increase while settlement risk would decrease by only one day."

4. Web site

Mr. H. Watanabe, Chairperson of the Sub-committee on Education and Public Relations, reported that the vendor had made a prototype web site. He asked members to take a look at it and make comments. The Committee members agreed to discuss how to manage the web site .

5. Others

Mr. K. Kobayashi explained the recent activities of the Working Group on Highly Leveraged Institutions (HLIs WG) of the Financial Stability Forum as follows.

- (1) The policy recommendations, which HLIs WG made in its report, included having private market participants make "voluntary good practice guidelines for foreign exchange trading."
- (2) Some of the Committee members would be sounded out as to their willingness to participate in drafting the guidelines on a voluntary basis.

Mr. M. Yasuda reported on the telephone conference among London, Tokyo, Singapore, and Hong Kong participants on the issue of Asian currency NDFs, which was held by EMTA on May 24. According to Mr. Yasuda, the conference made no specific decisions but agreed to continue studying and exchanging of views on the subject. Also, it was agreed that EMTA would draft a template for confirmation and that decisions would be made one by one.

List of Tokyo Foreign Exchange Market Committee Members
(May 26, 2000)

Members

Chairperson:

Mr. Toshiyuki Morioka* (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:

Mr. Hiromitsu Kato* (Nomura Trust and Banking Co.)

Chairperson of the Sub-committee on Education and Public Relations:

Mr. Hidenori Watanabe* (Dai-ichi Kangyo Bank)

Chairperson of the Sub-committee on Market Operation:

Mr. Takao Sakoh* (UBS)

Chairperson of the Sub-committee on Risk Management:

Mr. Tsutomu Takamatsu* (Chase Manhattan Bank)

Mr. Hirokazu Note* (Sumitomo Bank)

Mr. Katsuhiko Sugata* (Fuji Bank)

Mr. Satoshi Matsuda (Commonwealth Bank of Australia)

Mr. Nao Nakajima* (Standard Chartered Bank)

Mr. Takahiko Takemoto* (Deutsche Bank)

Mr. Eiichi Ishikawa* (EBS Dealing Resources Japan)

Mr. Shinichiro Ozaki* (Tokyo Forex & Ueda Harlow)

Mr. Noriaki Kanda* (Reuters Japan)

Observers

Mr. Yoshihiko Noguchi* (Money Brokers Association)

Chairperson of the Sub-committee on Legal Matters:

Mr. Kazuo Kobayashi* (Bank of Japan)

Mr. Masamichi Yasuda* (Bank of Tokyo-Mitsubishi)

* Attended the meeting.