

August 30, 2000

Minutes of the 35th Meeting of the Tokyo Foreign Exchange Market Committee

Time and date of the meeting: 13:00-15:15 June 27, 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)
Attending committee members: 13

1. Reappointment of Vice Chairperson

Of the members of the Executive Committee, Mr. T. Hanai was reappointed a Vice Chairperson prior to the expiration of his one-year term of office on June 30, 2000.

2. Committee steering

Mr. K. Kobayashi suggested as part of the project to review management of the Committee to survey members' view as regards appropriate activities of the Committee. The Committee approved his suggestion and decided to send a questionnaire to all members.

3. Web site

Mr. H. Watanabe, Chairperson of the Sub-committee on Education and Public Relations, reported the progress in setting up TFEMC's web site. The Committee agreed on the following: (a) to stop sending its minutes by mail once the minutes become available on the web site, (b) to accordingly advise those on the mailing list of the change in the last mailing, and (c) to continue study of the content for the web site.

4. NDF

Mr. T. Takamatsu, Chairperson of the Sub-committee on Risk Management, reported the outline of the EMTA teleconference on the subject of Asian currency NDFs, which was held among London, Tokyo, Singapore, and Hong Kong market participants on May 23, on the basis of the minutes sent by EMTA as follows.

- (1) Asian markets participants agreed that the term "Calculation Agent" would not be included in the Templates because it should be determined according to agreements between interested parties. As for "Joint Calculation Agents", they agreed that although it was not necessary to modify the 1998 Definitions, it would be preferable to include the term in the standard language for confirmation.
- (2) With regard to Asia Currency Templates, each template includes the names of seven financial institutions as reference dealers.

The Committee agreed to keep track of the examination by EMTA regarding this subject.

5. Other

(1) Settlement of Spot Transactions on T+1

Mr. K. Kobayashi reported the response from the Foreign Exchange Committee in New York (FXC) and the Singapore Foreign Exchange Market Committee (SFEMC) to his inquiries about the current status of their studies on changing the settlement date of spot transactions from the conventional T+2 to T+1. An outline of his report is as follows:

- (i) FXC is monitoring the Securities Industry Association (SIA) which has been examining the settlement date change to T+1 for securities transactions. Several FXC members have volunteered to help SIA analyze the impact of T+1 in securities settlement on the foreign exchange market, and SIA has expressed an interest in working with the FXC.
- (ii) SFEMC is having a sub-committee look into T+1 spot settlement.

The Committee members discussed the subject. As for the impact of T+1 securities settlement on the foreign exchange market, one member expressed his concern about a possible significant ripple effect on foreign exchange transactions, while another argued that in consideration of the fact that the current settlement date for securities is not the same as that for foreign exchange, settlement date unification for securities transactions to T+1 seems to mean merely an increase in T/N foreign exchange transactions. Regarding the impact of changing the foreign exchange spot settlement date to T+1, some members said T/N transactions could increase by as much as ten times which back-offices would be unable to handle. It was emphasized that unlike securities transactions where a whole day can be used for settlement, foreign

exchange transaction settlement procedures would have to be completed within half a day if transactions were conducted late in NY.

Committee members agreed to continue monitoring overseas committees' activities on this issue.

(2) Model Code

Mr. N. Nakajima, Chairperson of the Working Group on the Model Code, proposed specifying articles of the Model Code not included in the Tokyo Code of Conduct and studying how to deal with them. The Committee approved his proposal and agreed that the Working Group on the Model Code should pursue this task.

(3) Good practice guidelines for foreign exchange trading

Mr. Morioka, the Chairperson, reported on the meeting for formulating voluntary good practice guidelines for foreign exchange trading by leading foreign exchange market participants, which was held by market participants of major foreign exchange markets according to the recommendation of the Working Group on Highly Leveraged Institutions (HLIs WG) of the Financial Stability Forum.

- (i) The members of the task force for the guideline from private financial institutions, including Mr. Morioka, held a meeting in London on May 19 and 20.
- (ii) At the outset, the members had a meeting with central bankers, who are the members of the HLIs WG, and exchanged views on the points to be discussed. Then, members held another session among themselves, and drafted the guideline.
- (iii) It was agreed to send the draft, after incorporating the comments of central bankers of the HLIs WG, to the institutions concerned including foreign exchange committees, and to ask their comments and/or endorsement on it.

List of Tokyo Foreign Exchange Market Committee Members
(June 27, 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. 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)

*Attended the meeting.