

June 13, 2002

Minutes of the 53rd Meeting of the Tokyo Foreign Exchange Market Committee

Time and date of the meeting: 16:00-18:00 April 18, 2002
Venue: Bank of Japan
Chairperson: Mr. Tetsuji Ogino (Bank of Tokyo-Mitsubishi)
Vice-chairperson: Mr. Kazunari Kobayashi (State Street Bank)
Vice-chairperson: Mr. Katsuhiko Oda (Mizuho Corporate Bank)
Secretary: Mr. Hirochika Nishikawa (Bank of Japan)
Attending committee members: 16

. Resignation and Election of Members

Mr. T. Ogino (Bank of Tokyo Mitsubishi), chairperson of the Committee, reported that Mr. Y. Kawazoe (Barclays Bank), and Mr. Y. Matsuno (JP Morgan Chase Bank), expressed their wish to resign from the Committee. Next, Mr. T. Ogino reported that he received an application from K. Hanao (Royal Bank of Scotland).

After reviewing the applications and presentations by the candidate, a vote was taken, and the candidate was elected unanimously as a new member of the Committee. Then Mr. Oda (Mizuho Corporate Bank), Vice Chairperson of the Committee, expressed his wish to appoint Mr. K. Takenaka (Mizuho Corporate Bank) as an observer, which was approved.

Concerning the vacancy of the chairperson of the Sub-Committee on Public Relations resulting from the resignation of Mr. Y. Kawazoe, it was decided that Mr. N. Kanda (Reuters Japan) would take up the position. Since Mr. N. Kanda was the member of three other Sub-Committees, it was discussed how to reduce his burden, and it was decided to recruit new members for some Sub-Committees, such as the Sub-Committee on CLS. Meanwhile, it was decided that Mr. K. Hanao become the member of the Sub-Committee on CLS and NDF's.

Finally, a vote was taken following the expiry of the term for Mr. H. Nishikawa (Bank of Japan) as Secretary of the Committee. Mr. Nishikawa expressed his wish to continue, and was re-elected.

. Supporting activities of the members of the Committee

Following recent departures of a number of members of the Committee, resulting from resignations before the expiration of terms, it was discussed how the activity levels of the Committee could be maintained despite such changes in membership. It was agreed that frequent changes in members were not desirable in view of enhancing the activities of the Committee. However it was pointed out that the resignations following transfers within firms or departure from firms

were unavoidable. At the same time, in view of the fact that members received recommendations from the firms which they belonged to, it was decided that the Committee would draw the attention of the firms in case it had become difficult for members to attend the Committee meetings due to business reasons. Further discussion was delegated to the Sub-Committee on Committee Steering.

. Revision of the FX control law to require establishing the identities of bank counterparties

Mr. T. Kanagami (The Mitsubishi Trust and Banking Co.) reported as follows.

- (1) As preparation for ratifying International Convention for the Suppression of the Financing of Terrorism, a law mandating establishment of identities was being prepared. In the process it was essential to contact the authorities in order to ensure that the new law would not hinder market transactions. After consulting the Japanese Bankers Association, it was decided that the Committee would formulate opinions reflecting the view of the front offices in FX trading.
- (2) The Committee's activities were as follows;
 - Mr. T. Ogino (Chairperson of the Committee), Mr. H. Nishikawa (Secretary of the Committee), and Mr. T. Kanagami (Chairperson of Sub-Committee on Legal Matters) visited the Ministry of Finance on 3^d May, and were briefed on the contents of the new law and, exchanged opinions.
 - The meeting of Sub-Committee on Legal Matters was held, and reviewed the present practices on establishing the identities of bank counterparties and customers at the beginning of relationships. The Sub-Committee also discussed the present practices on establishing the identities of bank users of Reuters, EBS, and S.W.I.F.T, when such users joined the networks. On the basis of these discussions. the Sub-Committee discussed practical options in establishing the identities of bank counterparties from the view of market practices.

After discussion, it was decided that (1) the Committee would visit the Ministry of Finance again to explain the present practices in FX trading and practical options in establishing the identities of bank counterparties, and (2) collect information on practices in the U.S. and the U.K.

. Activities of Sub-committees

(1) the Sub-Committee on Education

Concerning the next Forex Seminar, Mr. M. Imai(UFJ Bank), the Chairperson on the Sub-Committee, reported as follows.

- (1) Date: 27th May

Starting at 18:00pm and lasting about 2 and a half hours

(2) Venue: Meeting Room, Nomura Securities, Co. (Tokyo)

(3) Subject: “ How to read the FX market”

Speaker – Masayuki Kichikawa (Asahi Life Asset Management,
Co)

-- Yasushi Hayashi (Daiwa Asset Management, Co)

(2) the Sub-Committee on Legal Matters

Mr. T. Kanagami, the Chairperson on the Sub-Committee, reported as follows.

(1) The Sub-Committee’s proposal for answering an inquiry about the Code of Conduct (see below), referred to the Sub-Committee.

<Question>

(a) Whether the provision that the bank raising funds could avoid composing and sending confirmations (Article 15) was still valid. If valid, whether the practice also applied to direct deal FX call money, brokered transactions, and direct deal Deposits transactions.

(b) Whether the exchanges of confirmations between the offering and bidding banks could be regarded as loan agreements, subject to stamp tax (The validity of notice from the predecessor Committee on March, 1990) was not aware of any changes in the interpretation.

<Answers>

(a) The Committee was not aware of any changes in the interpretation of the tax laws. The market practice that the bank raising funds could avoid sending confirmation letters was still in place. Nevertheless, this practice was not mandatory as clearly written in Article 15.

(b) The Committee was not aware of clear market practices equivalent to above concerning the FX call money and Deposit transactions. The Committee was not in the position to answer the tax treatment since the Committee had not made inquiries to the tax authorities on the tax treatment of confirmations.

(c) Nevertheless, it had become common to confirm electronically through systems such as SWIFT.

(2) Concerning Article 13 of the Code of Conduct (“money laundering”), which is related to the issue of establishing the identities of bank counterparties, it would be revised through the ongoing process of the revision of the Code of Conduct, based on the opinions of the Sub-Committee where this issue was related.

(3) the Sub-Committee on E-commerce

Mr. H.Note (Sumitomo Mitsui Banking Corporation), the chairperson of the Sub-Committee, reported on the following draft concerning e-trading.

Article 1 : General Provisions

Article 2 : Developing Provisions (Responsibilities and Responses) for System Failures (For Both E-broking Systems Failures and Multi Dealer Portal)

Article 3 : Possibility of Trading at off-Market Rates

Article 4 : Abuse of E-broking Systems,

Article 5 : Preventing Unauthorized Access Through Robust Procedures

It was also decided that the Sub-Committee would examine and sum up FX market implications of the liquidation of Atriax Co., a multi-dealer portal site. It was also discussed whether it was appropriate to take up not only inter-bank trading but also the relationship with customers in the Code of Conduct. As a result of deliberations, it was decided that there would be no problems if the Code of Conduct incorporated rules for banks concerning their relationship with customers.

(4) the Sub-Committee on CLS

Mr. T. Ichikawa (Mizuho Bank), the chairperson of the Sub-Committee, reported as follows based on the Sub-Committee meeting held on 10th April, and asked the Committee to discuss the following issues.

- () “The study at introducing the CLS” was completed. The Committee was asked to review and endorse the report, with a view to publishing it on the Committee web-site in the future.
- () The activities of the Sub-Committee in the coming weeks would be as follows: conduct further fact-finding through conducts with the CLS user’s group and CLS bank itself, developing and possibly publishing a Q&A on CLS and holding seminars.

As a result of deliberations, it was decided, concerning (1), that the Sub-Committee would conduct further examination of practical aspects before any public release of the study document. Concerning above (2), it was also decided that the sub-Committee would organize a wider group including back-office representatives of brokers to study implications and enhance the understanding of users.

(5) the Sub-Committee on NDF’s

Based on visits to individual asset managers and the discussion at the Sub-Committee Meeting, Mr. H. Inamura (Citi Bank), the chairperson of the Sub-Committee, reported as follows.

- (a) The number of Japanese institutional investors and exporters using NDF’s for hedging was growing.
- (b) Suppliers of liquidity was thought to be essential for promoting more active NDF trading in Tokyo. The Sub-Committee would collect information on the composition of market participates in such as types of participating

speculators the KRW NDF market active markets in NDF's in Asian time).

- (c) A number of banks had not developed trading systems. The Sub-Committee might consider promoting NDF transactions taking into such factors.

(6) the Sub-Committee on T+1

Mr. K. Kobayashi (State Street Bank and Trust Company), the chairperson of the Sub-Committee, reported as follows.

- (a) The English translation of the report of the Sub-Committee was completed. The Committee was asked to review the translation.

- (b) The report of the NYFXC concerning this issue seemed to be nearing completion. The Sub-Committee would report to the Committee after receiving and examining it.

List of Tokyo Foreign Exchange Market Committee Members
(18 April, 2002)

Members

Chairperson:

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

Vice-chairpersons:

Mr. Katsuhiko Oda* (Mizuho Corporate Bank)

Mr. Kazunari 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* (Mizuho Bank)

Chairperson of the Sub-committee on NDF/CFD:

Mr. Hidehiko Inamura* (Citibank)

Chairperson of the Sub-committee on the Code of Conduct

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. Kosuke Hanao* (The Royal Bank of Scotland)

Observers

Mr. Yoshihiko Noguchi* (Money Brokers Association)

Mr. Satoshi Kawazoe* (Bank of Japan)

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

Mr. Koichi Takenaka* (Mizuho Corporate Bank)

*Attended the meeting.

