

October 16, 2003

**Minutes of the 63rd Meeting
of the Tokyo Foreign Exchange Market Committee
(TFXMC)**

Time and date of the meeting: 13:00-15:20 April 23, 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: 17

. Resignation and Election of Members

Mr. Ogino (Bank of Tokyo-Mitsubishi), Chairperson of the Committee, reported as follows.

The term of Mr. Nakajima (Standard Chartered Bank) as member of the Committee had expired, and he expressed his wish to serve for another term.

Mr. Ogino received an application from Mr. Kawano (Nomura Securities).

After review of the applications by the Committee members and presentations by the candidates, votes were taken, and the candidates were elected unanimously as members of the Committee.

Mr. Nakajima announced his candidacy as Chairperson of the Sub-Committee on Code of Conduct and was elected unanimously.

. Revision of Code of Conduct

Mr. Nakajima (Standard Chartered Bank), Chairperson of the Sub-Committee on the Code of Conduct, reported as follows:

- 1) Items concerning NDF transactions in the appendix was revised, in accordance with recommendations from the Sub-Committee on NDF. Main points are:

a) Appendix 1. Market Terminology and Definitions

As regards terms specific to NDF transactions (section VIII), words were added for the purpose of raising awareness of differences between market and ISDA terminology. In addition, such different terms would be shown alongside each other.

b) Appendix 2. Basic Trading Operations and Important Points on Market Etiquette

It was decided to add an example (as V b) for an NDF transaction conducted through brokers.

If Committee members have any comments on the revised items, they should be submitted by Friday, May 2.

- 2) Recently, the sub-committee was requested to give advice on whether a particular transaction would be deemed an HRR. Since such requests and questions are bound to increase when the revised Code of Conduct is published, it is desirable to clarify procedures for receiving and answering questions.

On point 2), it was decided that the sub-committee on Committee Steering would take up the matter.

. Activities of Sub-Committees

(1) The Sub-Committee on Committee Steering

Mr. Note (Sumitomo Mitsui Banking Corporation), Chairperson of the Sub-Committee, reported as follows, and the proposals were approved.

- 1) The wording of the Charter of the Committee, which was adopted in 1997, seems to be outdated and might no longer be consistent with the objectives of the Committee. In view of this, it was proposed to draft the necessary amendments by the sub-committee, taking into account any legal opinion obtained when the current Charter was adopted.
- 2) The sub-committee was contacted by persons who were working towards the establishment of an association of foreign exchange margin trading platforms. They inquired if the association, when established, could send observers to the sub-committee on Market Research.

After discussion, it was decided that the sub-committee on Market Research would, at its next meeting, consider the appropriate relations with the new association.

(2) The Sub-Committee on Education

Mr. Imai (UFJ Bank), Chairperson of the Sub-Committee, reported as follows, and the proposals were approved.

- 1) It was envisaged to hold a seminar targeting junior traders by June. Speakers would be chosen from economists and strategists based in Tokyo.
- 2) If ACI Japan so agrees, it was proposed to hold a seminar targeting a wider audience. The speaker for such an occasion would be well-known to the public. It was proposed that the sub-committee would draft a plan and contact ACI Japan to discuss this matter.
- 3) The sub-committee considers it useful to have an opportunity to outline the revised Code of Conduct to the foreign exchange market community (format to be worked out).

(3) The Sub-Committee on Public Relations

Mr. Kanda (Reuters), Chairperson of the Sub-Committee, proposed that, while it would be beneficial for the viewers of the Committee website through links from other websites to find the objectives of the Committee if clearly shown on a page of the Committee website, this should be put off pending the ongoing revision of the Committee Charter. The proposal was approved.

(4) The Sub-Committee on Market Research

Mr. Kashima (Mizuho Corporate Bank), Chairperson of the Sub-Committee, reported as follows:

- 1) The sub-committee invited Mr. Atsushi Nakajima (Mizuho Corporate Bank), a member of the Study Group on the Internationalization of the Yen organized by the Ministry of Finance, to brief the sub-committee on the Study Group's report.

- 2) Taking into account the presentation and comments by Mr. Nakajima, the sub-committee extensively discussed, from the perspective of participants in the foreign exchange market, issues relating to the promotion of the Japanese money and capital markets as a financial center.
- 3) One issue that was flagged was the development of a foreign exchange market trading Asian currencies against the yen.
- 4) At the next meeting of the sub-committee, it was envisaged that the sub-committee would compare overseas and Tokyo markets, based on previous research efforts, and discuss future activities of the sub-committee.

(5) The Sub-Committee on NDF

Mr. Inamura (Citibank), Chairperson of the Sub-Committee, reported as follows:

- 1) Survey on NDF confirmation practices
 - a) Those who had not responded to the questionnaire (11 persons at 10 firms) had been requested once again to do so. Additional opinion was collected from those with the view that they had no preference between the standardization of confirmations and incorporation into master agreements.
 - b) A feedback on the results of the survey (both domestic and overseas) would be provided to the respondents to the questionnaire and overseas (Hong Kong, Seoul, Singapore, Frankfurt, London and New York) market committees. The results would also be posted on the website of the Committee and ACI Japan.
 - c) As regards the drafting of the template for NDF confirmations, work would continue, taking into account any relevant developments at the working group on Asian NDF to be set up by the New York and Singapore committees. Information on the timetable for the New York/Singapore project should be obtained through participation in conference calls (planned for late April), and the sub-committee would discuss, at its next meeting, the usefulness of pursuing the drafting of a template in view of the expected progress of the New York/Singapore project

- 2) The sub-committee reviewed NDF-related items incorporated into the draft revised Code of Conduct.
- 3) A kickoff conference call for the “Asian NDF Working Group” was organized by the New York and Singapore committees (18:00 EDT April 28=07:00 JST April 29). Members of the Sub-Committee would participate as follows:
 - a) Mr. Inamura and Mr. Imai (Bank of Tokyo-Mitsubishi, member of the sub-committee) would participate in the call from Tokyo. In addition, staffs from local offices of Japanese institutions were asked to participate in both New York and Singapore and respective committees were informed of the names of participants in each center.
 - b) If appropriate, the results of the NDF confirmation practices survey could be provided from Tokyo.

(6) The Sub-Committee on CLS

Mr. Ichikawa (Mizuho Bank), Chairperson of the Sub-Committee, reported as follows:

A meeting of the sub-committee was convened on April 15. The Sub-Committee was briefed by Mr. Tsuchiya from the CLS representative office in Tokyo on facts, causes and responses to the dislocations in CLS that took place on March 25 and 26. The sub-committee communicated the following views and requests of the Committee:

- a) CLS should recognize that it has already become an indispensable infrastructure of the foreign exchange market. Recurring problems in the nature of the March incident or growing dissatisfaction over recovery procedures could hamper efforts to promote the service among third parties.
- b) Especially strong displeasure was expressed concerning the failure to extend currency close deadline and the initial suggestion to leave compensation issues to bilateral negotiations. It was strongly suggested that CLS would amend its best practices on contingencies and compensation, in view of recent experiences.
- c) CLS was encouraged to further improve its system capabilities, for example, automation of re-submission of settlement instructions.

d)The sub-committee urged CLS to prevent similar problems from recurring and to strengthen its contingency planning. It sought feedback from CLS in this respect through oral presentations or written reports to the Committee.

. Other issues

- 1) Mr. Ogino, the chairperson of the Committee, reported that Mr. Imura (Bank of Tokyo-Mitsubishi) will be replaced by Mr. Terasawa (*id.*) as observer. Mr. Terasawa would become a member of Legal Issues and CLS sub-committees. Mr. Imura would stay on the Code of Conduct sub-committee until the revision is concluded.
- 2) Mr. Nakata (observer, Bank of Japan) reported that the Hong Kong committee expressed its appreciation of the cooperation by the Tokyo Committee on the structure and activities of the Committee. Feedback would be provided by the Hong Kong Committee when their investigation is completed.

List of Tokyo Foreign Exchange Market Committee Members
(23 April, 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. Hirokazu Oki* (EBS Dealing Resources Japan)

Observers

Mr. Yoshihiko Noguchi* (Money Brokers Association)

Mr. Yoshinori Nakata* (Bank of Japan)

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

Mr. Koichi Takenaka* (Mizuho Corporate Bank)

*Attended the meeting.