

March 30, 2001

Minutes of the 36<sup>th</sup> Meeting of the Tokyo Foreign Exchange Market Committee

Time and date of the meeting: 13:00-15:10 July 13, 2000  
Venue: Bank of Japan  
Chairperson: Mr. Toshiyuki Morioka (The Bank of Tokyo-Mitsubishi)  
Vice-chairpersons: Mr. Takashi Okura (Barclays Bank)  
Mr. Takeshi Hanai (The Industrial Bank of Japan)  
Secretary: Mr. Hirochika Nishikawa (Bank of Japan)  
Attending committee members: 10

1. Committee Activities

Mr. K. Kobayashi reported the results of the survey on members' views as regards which topics the Committee should tackle in the future. A summary of the results was as follows:

- (a) "A study of trading and settlement practices (such as the influence of T+1 or preparation for CLS)" was given the highest priority, and "a study of the influence of electronic trading in foreign exchange markets" received second priority. However, as these two topics were relatively new, members' views on points to be discussed seemed to vary. It was thus decided that some discussion was needed in order to reach a consensus on specific points to focus on.
- (b) Although "a study of the CFD" received the lowest priority, such an evaluation appeared to reflect members' disappointment with the fact that virtually no progress had been reported from London as regards preparations for index rate fixing. The low priority put on "a study of master agreements (IFEMA, ICOM, and FEOMA)" likely stemmed from an increasing number of market participants adopting the ISDA Master Agreement.
- (c) Other topics received mostly the same priority. However, as regards "a study of the Tokyo Code of Conduct" and "a study of other codes and guidelines (including the ACI Model Code)", most members gave a similar rating, while ratings for "holding a forex seminar" ranged widely from "top priority" to "unnecessary".

The Committee members discussed the above results.

First, with reference to the low priority given to “a study of master agreements (IFEMA, ICOM, and FEOMA)”, Committee members agreed that such a result did not impair the importance of the activities of the Sub-committee on Legal Matters. Some members pointed out that “a study of countermeasures against disruption in the market (such as a Disruption Event or Force Majeure)”, which was given a relatively high rating in the survey, was an issue in which the Sub-committee on Legal Matters would inevitably be deeply involved, and legal consideration was indispensable for any kind of issue. The Committee agreed that the activities of the Sub-committee on Legal Matters were important and essential.

Members discussed a suggestion to establish special sub-committees for each topic in order to examine them more closely. Some members considering it desirable to have sub-committees focusing on technical studies of technical issues, while the main committee performed a decision-making function based on the outcome of sub-committees activities. Thus, they suggested changing the committee organization along the above lines.

## 2. Preparations for Holding Forex Seminars

Mr. H. Kato, a member of the Sub-committee on Education and Public Relations, brought up the question of the Committee’s basic strategy with respect to holding forex seminars. There were a number of suggestions: some members expressed their preference for small educational seminars addressing specialized issues, such as NDF and CFD, to large comprehensive seminars; some suggested focusing on young dealers as Junior Forex Seminars used to do; and others pointed out that because of the current difficult business conditions surrounding financial institutions we could not expect an increase in participants or fees and thus should make them simple and less costly. It was also pointed that the burden for organizing the seminars should be evenly shared by the Committee members.

It was agreed that the Sub-committee on Education and Public Relations would examine this question in consultation with the Japan Forex Club, which usually co-sponsored such seminars in the past, and reports at the result on the next meeting.

## 3. Web Site Preparations

Mr. H. Kato reported on the current status of preparations for establishing the Committee’s web site. As a result of discussion, it was agreed

to stop mailing the minutes of Committee meetings and to make them available (from the minutes of the next 37<sup>th</sup> meeting) on the web site instead. A notice to this effect would be enclosed with the minutes of this 36<sup>th</sup> meeting.

It was also agreed to proceed with preparations regarding the content of the web site.

#### 4. Other

(1) Changing the method of sending confirmation slips and brokerage bills by voice brokers

Mr. Y. Noguchi explained:

- (a) He said that, currently, voice brokers often delivered the originals of confirmation slips and brokerage bills by messenger to customers concerned. However, in order to improve efficiency, voice brokers planned to end delivery by messenger and send confirmation slips by fax or an automated confirmation system, and brokerage bills by mail.
- (b) Since the end of the previous year, the Money Brokers Association had sent financial institutions a questionnaire which inquired whether the above-mentioned change would be acceptable or not. With respect to sending brokerage bills by mail, most responded in the affirmative. As to sending confirmation slips by fax, although the majority replied that it was acceptable, some customers expressed reluctance because it required the amendment of their internal rules.
- (c) Regarding those who expressed acceptance, voice brokers said they would change their sending method from the beginning of August 2000 with respect to confirmation slips, and brokerage bills from the beginning of September. As regards customers who had not replied, the Money Brokers Association would follow up and request their respond to the questionnaire.

Concerning sending confirmation by fax, a number of the Committee members remarked that their institutions had answered that the change would be acceptable. Members shared the view that, although this subject should be decided by each institution, as confirmations must, in principle, be effected by both parties concerned, it seemed natural for the majority of customers to accept the changes. Some members noted that, as confirmation slips for direct dealing transactions or derivative transactions were sent by fax, sending confirmation slips of foreign exchange transactions by fax wouldn't result in any problems.

(2) EBS

One member asked the EBS member about the current status of EBS's consideration about termination of its voice service due to the rumor that some EBS users had transmitted the voice service to their customers violating terms of contract with EBS. The member said he continued to hear the rumor. The member from EBS Dealing Resources Japan replied that such transmission was obviously a breach of contract and had been noted worldwide as well as in Japan. He went on to say that his head-office was continuing to examine measures to be taken including the termination of the voice service.

As for terminating the voice service, a few members said that they would face no problem because they did not use it. But most members argued against termination because they regarded it as one of the most convenient services EBS provided since it enabled staff, who were not manning the screens, to know what was happening in the market; they also said it seemed unfair that most banks, which observed the terms, would be inconvenienced by actions to correct problems caused by a few banks.

The Committee agreed that it would call market participants' attention to the concern that transmission of EBS's voice to third parties could lead to the termination of its voice service.

As mentioned above, TFEMC's web site was established in September 2000, the address is:

<http://www.fxcomtky.com>

The Tokyo Foreign Exchange Market Committee Members' List  
(July 13, 2000)

Members

Chairperson:

Mr. Toshiyuki Morioka\* (The Bank of Tokyo-Mitsubishi)

Vice-chairperson:

Mr. Takeshi Hanai\* (The 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\* (The Nomura Trust and Banking Co.)

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

Mr. Hidenori Watanabe (The 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\* (The Chase Manhattan Bank)

Mr. Hirokazu Note (The Sumitomo Bank)

Mr. Katsuhiko Sugata (The 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)

\* Members/observers who attended the meeting.