CHAPTER? . BASIC ISSUES

ARTICLE 1 : RESPONSIBILITIES OF THE MANAGEMENT

The management of the banks and other institutions is responsible for controlling the
activities of all personnel engaged in dealing interbank foreign exchange and money market operations. The management should clearly set out in writing, the authorities and responsibilities of the dealers, brokers and support staff. These should include:

1) General dealing policy including reporting procedures.
2) Personnel authorized to deal.
3) Instruments to be dealt.
4) Limits on open positions, gap positions, stop-losses, and counterparty credit limits.
5) Confirmation and settlement procedures by the middle or back office.
6) Relationship with counterparties (banks and other institutions, brokerage firms,
customers).
7) Other relevant guidance considered necessary to be explicitly stated.

(Note) This Code of Conduct differentiates banks, other institutions and brokerage firms as organizations from dealers and brokers as individuals.

.Reference: ACI Code of Conduct . Responsibility for dealing activities

ARTICLE2:RESPONSIBILITYASAMAINTREASURY MARKET PARTICIPANT

The management of the interbank market participants has the responsibility to ensure that they and, to the best of their ability, all their staff act honestly and in good faith when participating in treasury operations. The banks and other institutions should disclose all the risks involved in the transaction to the customers and ensure that the customers make the treasury transaction on their own will and not by forceful persuasion or advice.

ARTICLE 3 : OBLIGATIONS OF STAFF ENGAGED IN FOREIGN EXCHANGE AND MONEY MARKET OPERATIONS

All staff engaged in the interbank foreign exchange and money market operations (including middle and back office staff) should observe the following standards of behavior:

1) All staff should carry out their duties in accordance with the instructions of their management and supervisors, within the scope of the authority that has been granted to them.

2) All staff should immediately report to their management or supervisors any problems arising during dealing operations, or any other matters which could seriously affect their business, and follow any instructions they are given.

3) Any disputes on any transaction or settlement arising between a dealer and the counterparty or other concerned parties should be resolved cooperatively and with a high degree of integrity and mutual respect.

ARTICLE 4 : USAGE OF CORRECT MARKET TERMINOLOGY

1. The management of the interbank market participants should ensure that all supervisors and staff are aware of their responsibility to act professionally at all times, including the necessity of using clear and unambiguous terminology. Dealers and brokers who operate in different markets or who frequently move from one market to another should be specially made fully aware of any differences in terminology between various markets and of terms which can be easily misunderstood. For this reason, the management should provide appropriate

training opportunities (if necessary re-training) for the relevant staff.

2. A list of market terminology and definitions is included in the Appendix 1 of this Code. All dealing and broking staff should be made thoroughly familiar with these terms.

.Reference: ACI Code of Conduct . Market terminology

ARTICLE 5 : TRAINING PERSONNEL

1. The management is responsible for maintaining a high standard of professionalism among their staff in order to cope with the rapid growth and increasing complexity of the financial markets.

2. The management should ensure that newly employed staff are provided with a complete orientation of the procedures and policies of their institution.

3. The management should clarify the responsibilities, roles, and authority of their staff, and thoroughly explain the procedures, technologies, and contingencies.

Risk measurements and risk reporting should be understood by all involved in trading activities.

CHAPTER II. ETHICAL STANDARDS

ARTICLE 6 : PREVENTION OF QUESTIONABLE ACTIVITY

Perpetrating rumors that may reflect adversely on professionalism and abusing market practices in order to create personal gain are not justified.

ARTICLE 7 : APPROPRIATE RELATIONSHIP BETWEEN MARKET PARTICIPANTS AND PUBLIC INSTITUTIONS, ETC., AND PROHIBITION OF UTILIZING INFORMATION OBTAINED UNFAIRLY

It is necessary and beneficial for market participants and public institutions to maintain a straightforward and active exchange of opinion in order to enhance an active and a sound market. However, in view of maintaining market fairness, it is essential that the relationship between all parties should remain within reasonable and moderate bounds. Market participants must not ask for confidential information from public institutions or other market participants that may affect market prices. Under no circumstance should a participant take advantage of non-public or unfair information to create a profit for a customer or for oneself.

(Note) Public institutions and other market participants include overseas institutions. "Other market participants" in this article refer to such institutions as central banks and other public institutional investment organizations.

ARTICLE 8 : CONFIDENTIALITY

1. Confidentiality is essential for the preservation of a reputable and efficient market.
   All participants must strictly comply with the rules to maintain confidentiality. Parties involved in a specific transaction must not disclose any information to a third party, and neither should the third party press for undisclosed information. Confidential information should also be controlled within the same institution and should not be transmitted to other sections where such information is irrelevant.

2. The management should ensure that all their staff have a thorough knowledge of the basic principles concerned and take necessary measures to prevent confidential information from being passed on to outside parties.

3. Management should take care that confidentiality is not breached through the use of telecommunications systems used for foreign exchange and money

market transactions. Security measures should be taken if necessary.

4. In the event of a breach of confidentiality, it is the role of the management to act promptly to correct the conditions that lead to such an event.

5. Management should strictly control the entry of outside people into their dealing rooms.

ARTICLE 9 : DEALING FOR PERSONAL ACCOUNT

1. Management should consider carefully whether their employees should be allowed to deal for their own account, as it has a high risk of adversely affecting the interest of the institution's customers, or the institution itself. Where allowed, the management must set out in writing the procedures in detail, in line with the regulations of the institution. Dealers should not trade for their personal account taking advantage of non-public, price-sensitive information obtained in the course of their duties.

2. Where dealing for personal account is permitted, management should establish systems such as monitoring transaction details (transaction type, counterparty, amount, applied market rate, period, etc.), checking objectivity of the applied market rate, verifying any existence of inside information, etc.

(Note) Dealing for personal account means repeated and continued trading activity by a dealer through the dealer’s own personal dealing account in order to gain profit.

.Reference: ACI Code of Conduct . Dealing for personal account

ARTICLE 10 : PREVENTION OF FRAUD

1. In order to prevent acts of fraud in foreign exchange and money market transactions, all staff engaged in the operations must be cautious of the following occurrences. In the event of any suspicious circumstances or discovery of any of the cases listed below, all staff must notify their management without delay.

   1) Discovery of a transaction conducted over a telephone line that is not taped.
   2) When unusual settlement instructions are indicated.
   3) When the party receiving the funds is a third party, different from the transacting counterparty.
   4) When transaction details cannot be confirmed after the transaction is concluded.
   5) In any case where abnormal circumstances arise.

2. A dealer must not accept commission from brokers. In any event of a breach of current market rule by either the dealer or the broker, the management should be notified without delay.

.Reference: ACI Code of Conduct . Fraud

ARTICLE 11 : ENTERTAINMENT / GIFTS

1. In order to maintain market fairness, it is essential that the relationship between all parties remain within reasonable and moderate bounds.

2. Close mutual understanding between dealers, brokers and customers is a beneficial factor towards achieving improvement in interbank business and broking functions and customer business. However, in order to maintain fair dealing standards, excessive entertainment and gift offering is not acceptable.

3. The management should formulate a guideline for the giving/receiving of entertainment and gifts, and ensure that all relevant staff comply. The

management must also monitor the type, frequency and cost of entertainment and gifts by requiring regular compulsory reports from their staff.

4. The management may request a report on details of entertainment and gifts beforehand or afterward, from the management of the brokerage firm, if it is considered necessary.

.Reference: ACI Code of Conduct . Entertainment, gifts and gambling

ARTICLE 12: ABUSE OF DRUG, ALCOHOL, AND OTHER ADDICTIVE SUBSTANCE

Staff addicted to drug or alcohol are likely to be vulnerable to outside inducement to conduct business not necessarily in the best interest of the firm or the market. The managers should take all reasonable steps to educate their staff about bad effects of
drug and alcohol abuse.

. Reference: ACI Code of Conduct . Abused substances

ARTICLE 13 : MONEY LAUNDERING

The banks should be reminded of the need to " know their customers" and should take
all necessary steps to satisfy themselves that their transactions are not used to facilitate money laundering. As a part of an international effort to fight such activities, particularly, drug-related laundering, the central bank governors of the Group of Ten countries endorsed, in November 1988, a statement of best practice entitled: " the
Basel Statement of Principles". Moreover, in July 1989, the Group of Seven industrialized countries promoted the foundation of the Financial Action Task Force (FATF) to reinforce the commitments to fight money laundering. In response to this,

in Japan, the " Special Drug Law" (a special law collecting special cases from the laws controlling narcotics, stimulants, etc., aimed at the prevention of assisting transactions in illicit substances, to be effective under international cooperation) was brought into force in July 1992, and the Federation of Bankers Associations of Japan published a notification (No. 130-External Affairs- July 1992) entitled " Prevention of Money laundering Related to Trafficking in Illegal Drugs". The banks should adopt appropriate procedures consistent with this law and notification and also make themselves familiar with their legal responsibilities in this matter.

. Reference: ACI Code of Conduct . Money laundering

CHAPTER? . STANDARDS COVERING CUSTOMARY DEALING PRACTICES

ARTICLE 14 : QUOTATION OF PRICES AND CONCLUDING OF A DEAL

1. Quotation of Prices

   1) Interbank market participants, whether being dealers or brokers, have a duty to
   distinguish the prices they quote to be either firm or merely indicative.

   2) Dealers should keep in mind that prices quoted either through the brokers market or direct market are taken to be firm unless they are expressed to be indicative prior to quoting.

   3) A firm price quoted by a dealer in the brokers market shall remain valid until the dealer indicates an intention to withdraw (call off) the price concerned.

   However, in regard to the validity of prices, the broker should endeavor to obtain periodical confirmation of their validity from the dealer. Particularly, in cases where a considerable period of time has elapsed since quotation, confirmation of validity from the dealer should not be neglected.

4) In regard to transactions concluded through the brokers market, a dealer placing a firm price with a broker should indicate to the brokerage firm in advance what amount the price is valid for, or whether it is valid for a marketable amount.

2. Concluding a Deal

1) A dealer quoting a firm price should deal with the counterparty at that price except when there is a problem with the credit limit . In this case, the dealer is considered to commit to the deal at the price in a normal amount unless otherwise agreed in advance.

2) In the interbank market, irrespective of whether through the direct market or brokers market, a deal should be concluded upon verbal agreement (done). In cases where a dealer is calling “off” at the same time a broker is hitting a price and giving.notice of “done” , the transaction should be concluded. In such cases, the broker should immediately inform the dealer that the deal is done and the name of the counterparty of the deal concerned. Conversely , in cases of a broker calling “off” at the same time a dealer is hitting a price (“yours”, “mine”, etc.), no transaction should be concluded. In such cases, the broker should immediately notify the dealer that no transaction has been concluded (nothing done).

3) Under no circumstances should brokerage firms inform dealers that a deal has been concluded when in fact, it has not.

4) In cases where a price being quoted by a brokerage firm is hit simultaneously (“yours”, “mine”, etc.) by several dealers for a total amount greater than what the price concerned is valid for, the brokerage firm should apportion the amount the price is valid for proportionally among the banks

concerned in accordance with the amount hit by each. In such cases, the brokerage firm is not held to be obliged to deal in normal trading amount, however the brokerage firm should immediately inform all the relevant dealers that apportionment will be carried out. Dealers who receive such notice should then immediately reply whether they accept apportionment or indicate that they do not wish to deal at all (nothing done).

This clause is basically concerned with the dealing practice recommended for foreign exchange spot dealing. In other instruments, the transactions are concluded when it is certain that there are no problems with credit limits. The participants of interbank foreign exchange market should be careful not to shift the responsibility of the credit limit problems to the brokerage firms and force them to conclude transactions. Furthermore, they should acknowledge that if there are no credit limits, the transaction will not be concluded even when the firm price is hit. At the same time, it is not allowed for the brokerage firms and the counterparties to abuse credit limit problems and make those transactions invalid that should have been concluded originally.

.Reference: ACI Code of Conduct . Dealing procedures
ACI Code of Conduct . Firmness of quotation
ACI Code of Conduct . Concluding a deal

ARTICLE 15 : CONFIRMATION PROCEDURES

1. The interbank market participants must exchange written confirmation without delay upon conclusion of the transaction through their back office independent of the dealer concerned, in order to reconfirm the transaction.

2. In regards to the transactions listed below which are conducted through the broker’s market, completion and exchange of confirmation slips between the banks and other institutions concerned may be omitted. In such cases, the back offices of the banks and other institutions must request the broker’s confirmation slips of relevant

deals from brokerage firms without delay and should check their correctness.

1) Foreign exchange transactions with delivery of funds the same day, following business day, or two business days later after the deal is concluded.

2) Currency option transactions with the expiration date the same day, following business day, or two business days later after the deal is concluded.

3) In the cases of “Call Money / Loan” transactions in foreign currencies, only the lending bank and other institutions should issue and send a confirmation slip and the bank and other institutions procuring the funds may omit this altogether.

In such cases, the omission of the issue and the exchange of the confirmation slips between banks and other institutions is not compulsory. From the risk control point of view, early confirmation after the conclusion of transactions between the banks and other institutions themselves is encouraged.

3. All confirmations must be checked immediately and appropriate action should be taken to rectify any differences upon receipt by the back office. The back office should inform the counterparty immediately when there is a discrepancy in the counterparty’s confirmation. The bank and other institutions whose original confirmation was incorrect must re-check the details and provide a new confirmation for the counterparty.

4. As for Standard Settlement Instruction (SSI), from the points of efficiency and reduction of settlement-risk, SSI exchange with the counterparty is recommended.

.Reference: ACI Code of Conduct . Confirmation procedures

ARTICLE 16 : METHODS OF FUNDS DELIVERY

1. The methods of funds delivery for Japanese yen and foreign currencies related to foreign exchange and money market dealings should be arranged directly between the relevant banks as a rule. In the case of international broking transactions (including international broking transactions for JOM accounts), however, brokerage firms should assume the responsibility of stating the method of payment to each relevant bank. If a brokerage firm has any difficulty in confirming the method of funds delivery, banks should cooperate with them such as giving information about the method of funds delivery from interbank confirmation etc. Settlement instructions for payments of funds should be processed promptly and accurately. In the event of a change in the method of payment, the relevant counterparty must be notified without delay. In the case of a change in SSI, banks should also inform the brokerage firms without delay.

2. The delivery of funds in Japanese yen should be conducted either through the Foreign Exchange Yen Clearing System, BOJ - Net or clearing of bills.

   1) In the case of settling funds through the Foreign Exchange Yen Clearing System, the delivery of funds should be conducted according to the procedures of its system.

   2) In the case of settling funds by other means, the delivery of funds should be conducted at the clearing balance on the day of the delivery at 1:00 p.m. as a rule, except for the following cases;

      a) Of transactions which require same day delivery, those concluded after 10:30 a.m. should, as a rule, be settled at 3:00 p.m. .

      b) Of transactions which require next day delivery, those concluded after 3:30 p.m. should be settled at 3:00 p.m. on the next day.

3. In regard to errors in payment instructions received from brokerage firms as per 1. above, any banks in receipt of such notification, in addition to taking steps to resolving the errors without delay, should also hand over to the

relevant brokerage firm all relevant records of the communication. When the profits of the usage of the funds are refunded by the third party bank erroneously in receipt of funds, the relevant profits should be returned to the brokerage firm concerned.

.Reference: ACI Code of Conduct . Payments / settlement instructions

ARTICLE 17 : RECORDING BY TAPES AND OTHER MEANS

1. The Banks, other institutions and brokerage firms should record, by a tape recorder or other such means, conversations with their dealing counterparties.

2. When taping equipment is first installed or taking on new customers or counterparties, the banks, other institutions and brokerage firms should take steps to inform their counterparties and customers that conversations will be recorded.

3. Subsequent to the completion of recordings, the tapes and other recorded means should be kept for a period sufficient to enable the details of any transaction contained therein to be confirmed.

4. The storage of recorded tapes, etc. should be strictly managed to prevent their contents from being tampered with.

5. Tapes and other recorded means which cover any conversation relating to a dispute, should be retained until the dispute has been solved.

. Reference: ACI Code of Conduct . Taping

ARTICLE 18 : AFTER-HOURS DEALING(OFF-PREMISE DEALING)

1. In order to manage so-called “after-hours dealing” in an appropriate manner, the banks and other institutions should specify their normal trading hours, and the management should establish appropriate control systems for all

dealing operations conducted inside their dealing room during such normal trading hours.

2. Dealing after normal trading hours, particularly from premises outside the dealing rooms (e.g., from home), should only be undertaken with the prior permission of the management.

3. The management should issue guidelines to their staff on the extent of such trading including names of persons authorized to trade, and limits of transaction amount.

4. The management or the supervisor should put in place a control system to enable the prompt recording and confirmation of transactions after normal trading hours.

. Reference: ACI Code of Conduct . After-hours dealing

ARTICLE 19 : HANDLING OF ORDERS

1. Whenever a bank and other institutions receive an order from a counterparty, in order to avoid subsequent disputes, the following items should be confirmed and recorded in a prescribed book on all occasions. The management should ensure that when accepting such an order, full instructions are noted, including conditional provisions, transaction notification, cancellation, and forward instructions.

   1) Currency.
   2) Buying or selling.
   3) Amount.
   4) Rate.
   5) Value date.
   6) Validity period of order.

2. In regard to stop-loss orders in particular, the parties should expressly agree

and confirm such intent and the terms under which such orders are accepted. The banks handling such an order should have adequate lines of communication with the counterparty for use in the event of an extreme price/rate movement or other unusual situations.

3. In accepting such order, the banks and other institutions assume an obligation to make every reasonable effort to execute the order at the established price. However, a specified rate order does not necessarily provide a fixed-price to the counterparty.

4. Brokerage firms are often asked to confirm the trading range, but it can only be used as an information source. The brokerage firms are not responsible for the range itself.

. Reference: ACI Code of Conduct . Stop-loss orders

ARTICLE 20 : OFF-MARKET RATE

1. Deals at off-market rates should generally be avoided, as such practices may result in concealment of profit or loss, perpetration of a fraud, or giving an unauthorized extension of credit.

2. In case a bank and other institutions receives a request from its customer to use “off-market” exchange rates, such request should be considered by its management from the credit policy and appropriateness perspective.

3. Historical rate rollovers (HRR; extension of a forward foreign exchange contract at the original rate) are an important example of off-market rate transactions. The HRR are discouraged unless there is a reasonable basis and only with the prior approval of the management. In the exceptional case of permitting a HRR, the management should establish rules and procedures and ensure compliance. (“forward exchange contract” shall also include the right of exercise of any option transactions.)

. Reference: ACI Code of Conduct . Dealing at non-current rates

ARTICLE 21 : RELATION BETWEEN DEALERS AND BROKERS

1. Dealers should not request brokers to disclose the name of the potential counterparty or the amount involved prior to the conclusion of a transaction.

2. Dealers should not request brokers to disclose details of transactions entered into between the third parties.

3. In cases where conclusion of a transaction has been refused due to credit limit problems, the bank or other institution which has been refused should not request brokers to reveal the name of the refusing bank or other institution.

4. Dealers should not place an order with a broker to find out the name of a counterparty in order to make direct contact to conclude a deal.

5. At any stage prior to the conclusion of a transaction, brokers should not reveal to the market participants the names of any potential dealing counterparties. Information brokers may transmit is limited to that which will give banks a general feel of the state of supply and demand in the market, and the transmission of such information to any dealers should not be construed as a guarantee to conclude a transaction.

6. Dealers and brokers should not visit each others' dealing rooms without the permission of the management of both parties.

7. Dealers should not deal from within a brokers' office nor should brokers arrange deals from outside their own offices.

8. The disclosure of the name of transaction counterparties, might be allowed exceptionally under the following cases:

    1) In cases where one of the parties to a deal already concluded requests an increase in the amount of the transaction, the broker may disclose the counterparty's name, but only to the other counterparty of its transaction.

2) The dealers may request the brokers to disclose the counterparty prior to the conclusion of a foreign exchange forward transaction. In regard to money transactions, the bank or other institution lending the funds may, prior to the conclusion of a transaction, request brokers to disclose the name of the borrowing bank or other institution. Also, in regard to transactions which mature in less than one week, as it is possible for the principal and interest to be repaid prior to the confirmation of the receipt of principal, both the lending and the borrowing banks or other institution may request brokers to disclose the names of the counterparties.

3) In regard to JOM transactions and international foreign exchange transactions,
as the details requiring confirmation for the transactions with non-bank institutions are different from that for banks, brokerage firms should notify counterparty banks in advance whenever mediating transactions for non-bank institutions.

.Reference: ACI Code of Conduct . Confidentiality

ARTICLE 22 : STUFFING

1. Banks, other institutions and brokerage firms should make every effort to prevent

stuffing. The management of the banks, other institutions and brokerage firms should ensure that all responsible staff have a thorough knowledge of the market's Code of Conduct and should take measures to prevent stuffing. In case of trouble, the management should put dealers under reporting obligations, and the issue should be solved between the respective managements.

2. In the event of an occurrence of stuffing, the brokerage firm should promptly contact the relevant bank or other institution and subsequent to confirmation of the facts by both parties, the management of the bank, other institution and

the brokerage firm involved should hold discussions between themselves, the result of which should be notified by the brokerage firm to the bank or other institution concerned in writing.

3. Subsequent to the occurrence of stuffing, the brokerage firm should endeavour to conclude the relevant transaction as soon as possible with another counterparty at the current market level. The dealer involved in the stuffing should not insist on a transaction being concluded at the original rate. Banks or other institutions should accept the request of compensation by brokerage firms which occurred in stuffing.

4. Both dealers and brokers should keep records of stuffing on the day it occurs, which should include the name of the counterparty involved, a summary of the reasons for occurrence, the amount of the profit or loss involved (difference), and the settlement methods. Reporting such incidents to the management should be made on the same day, and files of all relevant records should be retained.

5. The management should check the details of these differences and should ensure that there has not been an excessive number of cases or accumulation of differences, etc., involving specific parties.

6. When differences have arisen as a result of stuffing, settlement of such differences should be carried out between banks or other institutions and brokerage firms periodically (daily, or monthly maximum) on a cash basis by a cheque payable to the order of the bank or other institution concerned, or by means of deducting the amount from brokerage invoices clearly indicating as such. Settlement of difference by points, or by any other means than outlined above, incurs the risk of activities which can conceal large differences , and thus should not be conducted.
7. Delivery of the relevant cheques should be made by the middle or back office independent from the dealing room.

. Reference: ACI Code of Conduct . Settlement of difference

ARTICLE 23 : NAME SUBSTITUTION

1. In the spot foreign exchange market, in a case where the name of a counterparty is proven to be unacceptable due to the credit limits even after the brokerage firms conclude the transaction upon verbal agreement (done), it is acceptable in certain cases to substitute by a third name.

2. In a name substitution, banks or other institutions should confirm details of transaction, and operate within general policy guidelines and procedures. Dealers and brokers must report to their management in executing a name substitution.

3. The management of banks or other institutions should provide the brokerage firms with names of unacceptable counterparties in advance as much as possible in an effort to prevent brokers from having to ask other banks or other institutions for name substitution.

4. Dealers must not seek or accept any favors from the brokers for switching names.

. Reference: ACI Code of Conduct . Name substitution or switching by brokers

ARTICLE 24 : BROKERAGE

1. Brokerage should be agreed upon only by the respective management and be notified in writing to the management of banks by the management of brokerage firms. Any revision in brokerage arrangements should follow the same procedure as above.

2. Brokerage firms normally quote dealing prices excluding commission/brokerage

charges.

. Reference: ACI Code of Conduct . Commission / brokerage

ARTICLE 25 : STANDARD TRANSACTION VALUE

1. The value date for "Spot USD/YEN" transactions will be two Tokyo market business days . If such day falls on a New York market holiday, the value date will be the next business day on which both markets are open. In regard to currencies other than USD/YEN, holidays in the New York market and in the countries of the currencies concerned should be taken into account and value date shall be determined in the same manner as above.

2. In regard to the value date of the forward leg of regular-term "USD/YEN Forward" transaction, in case where the value date falls on a holiday in either Tokyo or New York, the value date will be the next business day on which both markets are open. In case where the spot leg of a forward transaction falls on the last business day of the month, the forward leg value date of the period being quoted should also be the last business day of the relevant month (End/end).

3. The value date of money transactions should also be determined as per the clauses above.

4. However, because it is difficult to establish unified rules for all currencies, in case of discrepancy of spot value, for instance "European Cross" transactions, it should be confirmed with the counterparty before the execution of the relevant transaction.

ARTICLE 26 : SPECIAL HOLIDAYS

In cases where maturity of foreign exchange and money market dealing falls on a Japanese holiday that was not originally anticipated, maturity of such transaction shall be dealt as follows in the absence of any specific agreement between the two relevant parties.

1. Foreign Exchange Transactions

1) Transactions Involving Japanese Yen

The delivery date for transactions involving Japanese yen will, as a rule, be the following business day unless that day falls in the next calendar month, in which case the delivery date will be the preceding business day. Changes in delivery dates should be carried out without any alteration to the amount of funds delivered and without any cost adjustments.

2) Transactions not Involving Japanese Yen

The delivery date for transactions not involving Japanese yen will be as originally contracted and the delivery should be conducted in the relevant country accordingly.

2. Money Transactions

1) Offshore-Yen Transactions

In regard to offshore-yen transactions, as a rule, the following business day will be the settlement date unless that day falls in the next calendar month, in which case the preceding business day will be the settlement date. When there is a change in the settlement date as mentioned above, the interest amount should be calculated using the original contracted interest rate and adjusting the number of days by such changes accordingly.

2) Transactions in USD

In regard to transactions in USD, the settlement date shall remain as per original contract. However, if the settlement for USD transaction is agreed to be conducted in Tokyo, the location of settlement shall be changed to New York.

3) Transaction in Other Currencies

In regard to transactions in other currencies, settlement should be conducted in the relevant countries as originally contracted.

. Reference: ACI Code of Conduct . New Bank Holiday

ARTICLE 27 : EXCERCISE OF CURRENCY OPTION

1. Exercise of currency options should be carried out to the address pre-arranged between the dealing counterparties by the cut off time using telecommunications equipment such as dealing machines, etc., which provides a suitable record of the exercise.

2. The notification of the exercise of currency option through "one-way" telecommunications equipment where acknowledgment of receipt cannot be confirmed (e.g. facsimile, etc.) is invalid.

3. When exercise of currency option is carried out by telephone, the details of exercise should be confirmed by telex, facsimile, etc. immediately after excercise. The use of facsimile machine is acceptable only when it is used to reconfirm the verbal notification of exercise.

4. The "option writing" counterparty should be prepared to receive notification of exercise through the telecommunications equipment predetermined between the counterparties.

ARTICLE 28 : JAPAN OFFSHORE MARKET (JOM) TRANSACTIONS

In the case of JOM transactions, trading will be conducted in accordance with the standard market practices and the following provisions.

1. Both banks and brokerage firms should clearly indicate that the deal is a JOM transaction from the start of placing an order to reconfirmation of the transaction dealt. A clear distinction should be made between JOM transaction and foreign currencies Call Money / Loan transaction in, by all relevant parties including the brokerage firms at each of the following stages of the transaction; initial price inquiry, order placement, confirmation of the deal upon execution, reconfirmation of the deal. Brokerage firms shall confirm the details of the transaction on the trade date to all relevant banks via telex or facsimile.

2. As a general rule, a JOM transaction conducted through the brokers' market should be deposit transaction only.

3. Calculation of interest amount for offshore-yen of JOM transactions should be on an actual/360 basis, and the amount should be rounded down to the nearest yen (the smallest unit of legal tender). Settlement should be carried out through the Foreign Exchange Yen Clearing System as a rule.

4. In case where brokerage firms have difficulties in remitting the broker's deal confirmations on the following business day due to the time in which the deal is concluded, confirmation can be sent two business days subsequent to the conclusion of the deal by obtaining permission from the relevant banks.

NOTES

Foreign Exchange Transaction Dealt through Electronic Broking Systems

This Code of Conduct basically governs voice brokers and transactions dealt by them. However, in recent years, transactions utilizing electronic broking systems have increased tremendously and as a result, the Tokyo Foreign Exchange Market Committee have concluded that a Code of Conduct governing transactions dealt through electronic broking should be established in the course. The following are some points discussed at the said Committee.

1. The management of banks and other institutions should acknowledge the fact that foreign exchange transactions dealt through electronic broking systems may have particular problems that are different from those transactions dealt through voice brokers.

For example, there will be more instances where a transaction may be dealt at an off-market price through electronic broking systems than through voice brokers. If the dealer fails to input the big figure of the price quoted onto the systems, the electronic broking systems will automatically select the big figure based on the logic of the systems, and as a result, the possibility of an off-market rate being dealt in a volatile market increases.
Even if the dealer carefully checks the bidded or offered price in the electronic broking system and transacts the operation to execute the deal, there is a possibility that the price may for an instant disappear and the systems automatically select the next best bid or offer for verification by the dealer, resulting in an off-market rate transaction. At the present moment, the validity of such transactions is left to the counterparties' discretion.

The Management of banks and other institutions should make sure that the dealers fully understand the systematic risk involved in electronic broking systems. At the same time, the dealers must also read and understand the operational manuals of electronic broking systems and recognize the particular system functions.

2. Increase in the volume of transactions dealt through electronic broking systems has changed the nature of foreign exchange market and issues arising from the market. Banks and other institutions must fully explain such changes to their customers to increase their awareness regarding the present foreign exchange market.

As electronic broking systems allow for 24 hour dealing, it is important to establish a common consensus between banks or other institutions and customers regarding the execution of leave orders, knock-in / knock-out of currency options, etc. It is especially important to make sure that the customers understand that electronic broking systems allow the market to become volatile when the liquidity of the market is low particularly after normal trading hours, and the market conditions that may result from the execution of stop-loss orders in a thin market.

.Minutes from the Tokyo Foreign Exchange Market Committee, February 24,1998.

APPENDIX 1. MARKET TERMINOLOGY AND DEFINITIONS

This glossary is a collection of terminology commonly used in the interbank foreign exchange and money markets transactions.
Proper usage of market terminology enables market participants to trade in large volume, thus providing market liquidity. It also prevents the occurrence of any trouble or misunderstanding between market participants.

The Tokyo Foreign Exchange Market Committee intends to extend this glossary further and at the same time wish for a standardized application of this glossary by market participants.

? . TERMINOLOGY RELATING TO MATURITY DATES

(These terms are common to both foreign exchange and money market transactions.)

Spot: Two business days hence; In foreign exchange, spot transactions are those where traded currencies are delivered two business days after the transaction date.

Overnight: Value today against next business day.

Tom-next: Value next business day against spot.

Spot-next: Value spot against next business day of the spot date.

One week: Value spot against one week from the spot date.

Tom-week,
One week over
tomorrow: Value next business day against one week from that date.

One month: Value spot against one month from the spot date.

One month over
tomorrow: Value next business day against one month from that date.

One year: Value spot against one year from the spot date.

Turn of the month: Value last business day of the month against first business day of the next month

Spot against month end,
End of the month: Value spot against the last business day of that month.

Turn of the year: Value last business day of the year against the first business day of the next year.

Turn of the fiscal (financial) year: Value last business day of the fiscal year against the first business day of the next fiscal year.

Forward-forward: Value forward (over spot) date against a forward date.

Three against six: Value date three months from the spot date against value date six months from the spot date.

IMM date: Delivery date of futures contracts traded at the International Monetary Market (IMM) division of the Chicago Mercantile Exchange (CME). Delivery dates are the third Wednesday of March, June, September and December and referred as MAR IMM, JUN IMM, SEP IMM, DEC IMM, respectively.

Regular term: Value spot against standard trading periods: 1 week, 1month, 2month,etc.

Odd date: Value date that is not a Regular-term (as above).

Shorts, short dates: Transactions with maturity less than one month.

Term-“mono”: Transactions with maturity over one month.

II. TERMINOLOGY IN RELATION TO PRICING AND EXECUTION OF DEALS / CONCLUSION

(These terms are common to both foreign exchange and money market transactions. However, those terms marked with an asterisk are used in foreign exchange transactions only.)

Buy., Bid, Pay: In the case of foreign exchange dealing, the rate at which the price maker will buy the base currency (buy 1 USD when the rate is quoted at.USD/YEN.121.00 yen). In the case of money market dealing, the interest rate at which the price maker will pay for the currency concerned. (For forward foreign exchange dealing, it indicates the buying of the base currency at the forward rate.)

Sell., Offer, Ask: In the case of foreign exchange dealing, the rate at which the price maker will sell the base currency (sell 1 USD when the rate quoted at.USD/YEN.121.20 yen). In the case of money market dealing, the interest rate at which the price maker will lend the currency concerned. (For forward foreign exchange dealing, it indicates the selling of the base currency at the forward rate.)

Mine, I buy., I take: In the case of foreign exchange dealing, this is what a dealer says to indicate that the dealer wants to buy the base currency at the offered rate being quoted. For forward foreign exchange dealing, it indicates the buying of the base currency at the forward date. In the case of money market dealing, this is what a dealer says to indicate that the dealer wishes to pay the interest rate of the currency concerned that is being offered. The dealer must clearly indicate the amount which the dealer wishes to purchase at the time the dealer says “mine” to conclude the deal.(e.g. “three mine”, “ten mine”) If the dealer fails to indicate the amount and there is no specific agreement for foreign exchange transactions, “mine” means the purchase of the entire amount being offered at the price concerned. In the case of money market transactions, it means the procurement of the entire amount being offered at the interest rate being quoted.

Yours, I sell., I give: In the case of foreign exchange dealing, this is what a dealer says to indicate that the dealer wants to sell the base currency at the bid rate being quoted. For forward foreign exchange dealing, it indicates the selling of the base currency at the forward date. In the case of money market dealing, this is what a dealer says to indicate that the dealer wishes to lend the currency concerned at the interest rate which is being bid at. The dealer must clearly indicate the amount which the dealer wishes to sell at the time the dealer says "yours" to conclude the deal. If the dealer fails to do so, it shall have the same effect as "mine" stated above. The terminology "mine" and "yours" used to be used only in the brokers market. However, they are now used indifferently in the interbank market.

Hit: In the Tokyo market, the term "hit" is used commonly in relation to both bids and offers. However, the precise term is "Hit the bid" which indicates that a seller is willing to deal at the current bid in the market.

Given: A case in which a bid has been dealt on.

Taken, Paid: A case in which an offer has been dealt on.

Off: Nullification of a rate currently being quoted in the market or cancellation of a rate (either a bid or an offer) already placed in the market.

Join : Placing of an additional bid or offer equivalent to the current best bid or offer available in the market; joining the highest bid or lowest offer in the market (e.g. "join the offer at 20", "join the bid", "join both sides").

Under reference: Term used when validity of the order needs to be reconfirmed prior to conclusion of the transaction. Dealers should refrain from excessive usage to respect the firm price principle in the market.

One try, One show: A price which is quoted and valid for a very short period of time and if not dealt immediately, will be withdrawn. In order to avoid any possibility of misunderstanding in the length of time which the price is valid for, the term should be used with care.

Either (way): Term used when both bid and offer rates become identical by virtue of credit limit problems, disagreed amounts, etc.

XX your choice, Choice: A rate (XX) at which the price maker is willing to either buy or sell the base currency.

Done: Term used to conclude a deal/transaction.

Nothing done, Nothing: Term used when a deal/transaction has not been concluded.

Firm, Firm price: A rate which is valid and can be hit to conclude a deal. The bank quoting a firm price is obliged to transact the deal at that rate when a counterparty hits the price being quoted; exception is made only by virtue of credit line problems.

For indication, Indication only, For information, Information only, For level: Quotations that are not firm, and are intended to show the market level as reference only. An indicated quotation must be confirmed for its validity as a firm price before being dealt at.

Top rate., Start rate: The spot rate or the near side (rate) of a foreign exchange forward transaction

(Ten) plus, Minimum (Ten) : A condition applied to a price where any transaction concluded should be for a minimum of (ten) million.

One shot : The term used to refer that the agreed amount is a whole and not split in parts, or to make it a condition to conclude a deal.

Full (amount) : A term used by the bank asking for a price in the OTC (over-the-counter) market to indicate a desire to conclude the transaction for the total amount the counterparty wishes to deal.

Check, Checking : To check the availability of a credit limit for the counterparty prior to the conclusion of the deal. The term hints to the counterparty that there is a possibility of reducing the amount or declining the deal depending on the availability of the relevant credit limit.

Line full, Full up : No credit limit available for the counterparty.

My risk: A reply used by a dealer when unable to immediately respond whether the dealer intends to deal at the price quoted. Therefore, in cases where there is a desire to conclude a transaction, a fresh price should be sought by asking " How now?" or similar.

Your risk : A term used by the quoting dealer when the party seeking a price has been too slow in responding to the price they have been quoting and it indicates to that party they must seek a fresh price.

Point, Pip : The smallest unit of a rate .

Par. , Even. : A term in foreign exchange forward trading indicating the rate for the spot-leg of the transaction is identical to the rate for the forward-leg of the transaction.

Premium. : The margin by which the forward exchange rate is more expensive (dearer) than the near date.

Discount.: . The margin by which the forward exchange rate is less expensive

(cheaper) than the near date.

? . TERMINOLOGY RELATED TO TRANSACTION TYPE
(Used only for foreign exchange transactions .)

Outright. : The purchase or sale of a currency for delivery on any date other than spot (not being one side of forward transaction).

Forward.: The simultaneous purchase and sale of identical amounts of currency for different value dates.

Outright forward.: An outright transaction with a delivery date exceeding the spot value date.

? . TERMINOLOGY RELATED TO TRADING POSITION

Long : In foreign exchange trading, a position where a net surplus of the base currency is being maintained. In money trading, a position where the amount of funds borrowed exceeds the amount of funds lent.

Short: In foreign exchange trading, a position where a net deficit of the base currency is being maintained. In money trading, a position where the amount of funds lent exceeds the amount of funds borrowed.

Square: In foreign exchange trading, a position where the net total of base currency bought and sold is zero. In money trading, a position were the amount of funds lent is equal to the amount of funds borrowed.

? . TERMINOLOGY RELATED TO CURRENCY OPTION TRANSACTIONS

Call option : This term refers to the right to purchase a specified amount of a specified currency at a specified price within a specified number of days.

Put option : This term refers to the right to sell a specified amount of a specified currency at a specified price within a specified number of days.

European type : An option which can only be exercised on the option's expiration date.

American type : An option which can be exercised on any business day up to and including the expiration day.

Buyer (Holder): The party which purchases an option by the payment of a premium.

Seller (Writer): The party which sells an option and receives a premium.

Premium, Option cost: The price of an option, paid by the option buyer and received by the option seller. Payment and receipt of a premium is normally conducted two business days after the conclusion of a transaction.

Strike price, Exercise price: The rate applied in the event of an option being exercised.

Expiration date: The date on which the exercise right of the buyer of an option to notify the seller of the intention to exercise the right shall lapse.

Delivery date: The date on which delivery of the two currencies involved is conducted based on the exercise of an option. Normally, it is two business days after the expiration date.

Cut off time, Expiration time: The time at which the right to exercise expires on the expiration date. In general, for interbank transactions in the Tokyo market, this is 3:00 p.m. Tokyo time and in the European and American markets it is 10:00 a.m. New York time.

Exercise: To make use of the right which is possessed by a party to an option contract, e.g., the right to buy. Upon receipt of notification of intention to exercise the right, the seller of the option is obligated to deal with the option buyer on the terms already agreed upon.

At-the-money: An option is at the money when the price of the underlying instrument is very close to or equal to the option's strike price.

In-the-money: An option is in the money when the price of the underlying instrument in lower than the strike price of put option or the price of the underlying instrument is higher than strike price of call option.

Out-of-the-money: An option is out of the money when the price of the underlying instrument is higher than the strike price of put option or the price of the underlying instrument is lower than the strike price of call option.

Delta (.): Also known as the hedge ratio, this term refers to the ratio of change in the option price compared with change in the price of the currency in question , when all other conditions are fixed.

Delta hedge : A foreign exchange transaction which squares up the potential foreign exchange position created when an option transaction is concluded. Potential foreign exchange position is obtained by multiplying the option transaction by the delta.

Volatility : A quantification of the standard deviation of change in the market rate. In the over- the-counter option market , volatility rates are quoted at levels which take into account dealers expectations of the future market movements.

Historical volatility: The standard deviation in the logarithm of the price of the underlying instrument expressed in an annual rate. Calculations are based on market movements.

Implied volatility: With a given premium, the volatility calculated in reverse, based on option pricing models such as Black-Scholes, etc. from the number of days to expiration date, strike price, interest rates and actual market level.

Straddle: This term refers to a combination of call option and put option with the same type (put/call), same time period, same exercise price, and, as a rule, same face value.

Strangle: This term refers to a combination of call option and put option with same type, same time period and, as a rule, same face value, but in which the exercise prices are different .

Risk reversal: This term refers to a combination of a long (short) call option and a short (long) put option with, as a rule, same face value same period, and same absolute value of the delta.

Synthetic forward: This term refers to a combination of a long (short) call option and short (long) put option with same face value, same time period, and same exercise price.

Intrinsic value: The amount by which an option is in the money.

Time value: The portion of an options' value that equals the option current premium minus the intrinsic value.

? . TERMINOLOGY RELATED TO EXOTIC OPTION TRANSACTION

Knock out: A knock out option is a standard type of option which automatically disappears if a formerly specified exchange rate or an exceeding level is dealt in the spot market before the expiration date. In the knockout option , the spot rate moves towards "out-of-the-money" in order to reach the outstrike.

.... Reverse knock in option (or "kick-out-option") reaches the outsrike point when the spot rate moves towards "out-of-the-money".

Knock in: A knock in option is a standard type of option which automatically appears if a formally specified exchange rate or an exceeding level is dealt in the spot market before the expiration date. Knock in option reaches the instrike point when the spot rate moves towards "out-of-the-money".

Reverse knock in option (or "kick-in-option") reaches the instrike point when the spot rate moves towards "in-the-money."

Digital: A digital option is a transaction where a specified amount will be paid if the spot rate on the expiration date exceeds (or undergoes) the strike price previously specified. Due to the fact that the payment occurs on the expiration date it is also called "final digital" or "European digital".

One touch: One touch is a transaction where a specified amount will be paid only if the spot rate is dealt at the touchstrike or an exceeding exchange rate previously specified before the expiration date. One touch is also called as “Lock in” or “Touch digital”. There are also types where the specified amount will be paid 2 days after the deal has occurred.

No touch: No touch is a transaction where a specified amount will be paid on the delivery date only if the spot rate is not dealt at the touchstrike or an exceeding exchange rate level previously specified before the expiration date. No touch is also called a “Lock out”.

Range binary: Range binary (also called a double lockout) is a transaction where a specific amount will be paid only if it is not dealt at or above the two exchange rate levels which are previously specified before the expiration date.

? .TERMINOLOGY RELATED EXCLUSIVELY TO MONEY DEALING TRANSACTIONS

Lending: Release of funds. In the money market, in cases where funds are being released. Similar terminology to that used in the foreign exchange market is, “yours”, “I give”, “I place,” etc.

Taking: Procurement of funds. In the money market, in cases where fund are procured. Similar terminology to that used in the foreign exchange market is used, “mine,” “I take,” etc.

Pay: Payment of fixed interest in interest rate swap transactions.

Receive: The receipt of fixed interest in interest rate swap transactions.

? . MISCELLANEOUS TERMINOLOGY

Name switch: For transactions dealt through brokers where there are difficulties in dealing with the original counterparty due to credit limit problems, brokers then search for another counterparty with whom it is possible to conclude the transaction in question.

Stuffing: A case where a broker concludes a deal in error, and subsequently discovers such an error, with profit/loss arising when the mistake is rectified by the conclusion of an off-setting transaction at current market rates.

Difference: The profit / loss arising from an incident of stuffing.

Settlements by Points: This is a system of settling differences between banks and brokers which arise from incidents of stuffing. Records are kept on a point lent and borrowed basis for specified periods.

? . MISLEADING EXAMPLE

This section shows examples of Japanese dealing terms which should be avoided to be used in actual transaction, because it might be misleading. Due to the fact that these are not able to be translated into English, it is not printed.

APPENDIX 2. BASIC TRADING OPERATIONS AND IMPORTANT POINTS ON MARKET ETIQUETTE

In this appendix we have gathered and explained examples of transactions in the foreign exchange and money markets and have listed important points that should be borne in mind while trading. The most important point with any transaction is avoiding the use of ambiguous terminology, and all market participants should be well aware of the need to clearly indicate to their dealing counterparties the base currency, amount, value date, sell/buy classification, market rate, etc., as a basic premise for concluding any transaction, and also be well aware of the connection this plays in the prevention of problems associated with the conclusion of deals.

?. SPOT TRANSACTIONS

(a) Transactions using dealing equipment (with XX Bank, Singapore)

XX(Singapore) : YEN 10 PLS (Note 1)
(PLEASE)
YY(Tokyo) : YEN 25-30 (Notes 2,3 & 4)
XX : SELL (10) (Note 5)
YY : DONE (Note 6)
WE YY BANK TOKYO BOUGHT USD 10 MIO
AGST YEN AT 121.25
(AGAINST)
VAL 24 NOV 98
(VALUE)

USD TO OUR NY VIA CHIPS ABA...UID...AND WHERE
FOR YOU PLS? (Notes 7 & 8)

XX: YEN TO OUR TOKYO PLS (Note 9)

YY: TKS FOR THE DEAL
(THANKS)

XX: TKS AND BIBI

Note 1: This means “Spot USD/YEN for USD 10 MIO PLS.” Normally when YEN, DEM, STG, etc., only are mentioned, it means a spot transaction against USD. Recently, the number of “yen cross” transactions conducted against European currencies have been increasing, and in such cases, DEM/YEN, STG/YEN, etc. are stated to indicate it is a yen-cross transaction, and this is considered essential to prevent the occurrence of problems. In cases where an amount is stated when requesting a price from a counterparty, if a transactions is executed it must be for the amount stated. Also when one party wishes to transact either a small or large transaction, it is considered desirable to state the amount when requesting a price.

Note 2: This means “SPOT YEN IS 121.25-30.” Except during times of large volatility in rate movements, the “big figure” is often omitted. In such cases, sufficient care should be paid to the danger of concluding a deal at the wrong “big figure” resulting from misunderstandings between dealing counterparties.

Note 3: Prior to quoting a price, the credit limit availability for the counterparty bank should be confirmed. In cases where the credit limit availability is insufficient to cover the full amount of the price being requested, prices should be quoted clearly indicating such availability (e.g., “YEN 25-30 UP TO 5 ONLY,” etc.)

Note 4: In cases where transactions are conducted through telex equipment, to prevent mishaps, the “answer back” code of the counterparty should be confirmed prior to price quotation.

Note 5: The party which a price is quoted to should, without holding that price, indicate as quickly as possible whether they with to conclude a transaction or not. Expressions such as “YOURS(10),” “AT 25” can also be used for the conclusion of transactions. Transaction amounts may be omitted in cases where the amount is stated when requesting a price.

Note 6: In cases where the transaction amount involved is comparatively large and a definite amount has not been indicated by the bank requesting a price, the bank quoting the price should not be required to conclude a deal for the full amount the counterparty desires. In such cases, for example, in regard to a counterparty replying “30 YOURS,” declination can be made by replying “ONLY 10 DONE,” etc.

Note 7: At the time of confirmation, the value date and big figure of the rate should always be confirmed.

Note 8: The CHIPS number should always be included.

Note 9: The exchange of payment instructions should be limited to the name and location of the recipient bank and the currency to be delivered, with all other excess phrases and instructions omitted.

Important Points

In the case of spot transactions where speed in execution is required, transaction phraseology as per the example above is most often abbreviated to the utmost extent. Nevertheless, even though counterparties who deal with each other frequently every day for set amounts understand that when their counterparty says, “YEN 10 PLS,” they actually mean “SPOT USD/YEN FOR USD 10 MIO PLS,” it does not necessarily mean that counterparties dealt with on an infrequent basis will use abbreviated phrases in the same manner. (e.g., There are some banks overseas that will use “YEN 100” for “SPOT USD/YEN FOR YEN 100 MIO,” “SELL 100” for “WE SELL YEN 100 MIO AGAINST USD,” etc.) Accordingly, dealing staff should be well aware of the fact that excessive abbreviation is not only discourteous, but also may become a cause of problems and/or conflict. Consideration regarding the practical use of dealing equipment abbreviation keys is strongly recommended.

(b) Transactions by telephone (with XX Bank, Tokyo)

XX: "This is XX Bank." (Note 1)

YY: "This is YY Bank, can we have spot DEM in ten dollars(ten million dollar, Ten) please?" (Note 2)

XX: "Spot DEM is 75-80."

YY: "At 80 10 dollars, pls.(Ten mine, please.)"

XX: "O.K., done, XX Bank sold to you ten million dollars at 1.6580. This is Mr. ...."

YY: "YY Bank bought USD 10 million at 1.7080. This is Mr. .... Thank you very much." (Note 3)

Note 1: Especially when dealing by telephone, sufficient care should be taken about the manner in which counterparties are addressed so as not to be discourteous.

Note 2: The name of the counterparty bank and the availability of credit limits should be confirmed prior to quoting a price.

Note 3: Confirmation of transaction details should be repeated by both parties.

Point 1. In view of the need to conclude transactions accurately and quickly, the terms "yours" and "mine" are often used in interbank trading in the Tokyo market.

Point 2: At the time of confirmation, a re-check of counterparty names should be done by both parties repeating both the names of their banks and personal names to each other. Also, subsequent to conclusion of a transaction, the bank which hits the price quoted should promptly reconfirm transaction details including the value date and funds settlement method using dealing equipment, etc. Reconfirmation should be done by telephone for deals conducted through brokers as per (c) following.

(c) Transaction through brokers.

Bank: " Where is spot YEN, please?"

Broker: "It is 30-35."

Bank: "Ten yours." (Note 1)

Broker: "Seven done, 27-32 now." (Note 2)

Bank: "O.K., 7 done, who is it?"

Broker: "It is XYZ Bank."

CASE 1 - Where there is availability in credit limits

Bank: "O.K., name agreed."

Broker: "Thank you very much."

CASE 2 - Where there is no credit limit (or limit full)

Bank: "No line (or limit full)."

Broker "O.K., we will switch the name."

Note 1. The terms, "yours" and "mine" should be used. The amount a price is being hit for should be stated prior to saying "yours" (or "mine"), e.g. "10 yours," etc.

Note 2. The amount done should be indicated first.

?. FORWARD TRANSACTIONS

(a) Transactions using dealing equipment(with XX Bank, Singapore)

XX. HIHI,6M YEN SWAP PLS? (Note 1)
(6MONTH)

YY. MOM PLS (Note 2)
380/378

XX. AT 378 S/B USD 20 MIO PLS (Note 3)
(SELL AND BUY)

YY. OK, AGREED
WE YY BANK TOKYO BUY AND SELL USD 20 MIO
AGST YEN VAL 12 MAR 98/12 SEP 98
140.20/136.42
USD TO OUR NEW YORK VIA CHIPS ABA ....UID....
AND YEN DIRECT PLS

XX. OK AGREED

YEN TO OUR TOKYO
AND OUR USD TO OUR NEW YORK PLS
TKS FOR THE DEAL BIBI
YY.   TKS AND HAVE A NICE DAY BIBI

Note 1. In the case of forward transactions for odd dates, both the commencing and finishing dates must be indicated.

Note 2. Credit limit availability for the counterparty should be confirmed prior to quoting a price.

Note 3. For USD/YEN transactions, buying and selling are conducted in terms of USD, however , as there are cases when some participants conduct transactions in YEN amounts, it is important to obtain clear indications of both the price being hit and the currency being dealt whenever a transaction is being concluded.

(b) Transactions through brokers

Dealer. "Where is 6 month forward YEN, please?"
Broker. "It is 368-367"
Dealer. "10 mine (or, At 367, 10,please?)"
Broker. "10 done, counterparty is XYZ Bank."

<u>CASE 1 - Where there is availability in credit limits</u>

Dealer. "Done."
Broker. "Set the top rate at 120.15?" (Note 1)
Dealer. "O.K."

<u>CASE 2 - Where there is no credit limit availability</u>

Dealer. "No line (or limit full)."
Broker. "Nothing done."

Note 1. Top rate (the rate for the spot leg of the swap) should be set based on at the spot rate at the time a deal is concluded in the absence of any special agreement.

? . OPTION TRANSACTIONS

(a) Transactions using dealing equipment

CASE 1 - Buying and selling a Call option

XX. HIHI CAN YOU QUOTE USD CALL YEN PUT OPTION
EXPIRATION 18 JUN 98
DELIVERY 20 JUN 98
STRIKE 140.50
USD 50 MIO
DELTA AROUND 30 PCT (Note 1)
(PERCENT)
TKY CUT OFF PLS (Note 2)

YY. HIHI FRDS VOL 14.8 - 15.00 PCT (Note 3)
(VOLATILITY)

XX. AT 15 I BUY USD 50 MIO

YY. OK DONE SPOT 135.95 (Note 4)

XX. TKS AGREED

YY. MOM FOR PRICING
WE SEE 2.70 YEN PER USD FOR PREMIUM (Note 5)
DELTA 30 PCT

XX. AGREED
SO WE XX BOUGHT USD CALL YEN PUT
STRIKE 140.50
AMT USD 50 MIO
EXPIRATION 18 JUN 1998
DELIVERY 20JUN 1998
PREMIUM YEN 135,000,000- (Note 6)
ON HEDGE WE XX SOLD USD 15 MIO AGT YEN (Note 7)
AT 135.95 VAL 9 DEC 97
OUR YEN TO OUR TOKYO PLS

YY. OK ALL AGREED
PREMIUM TO US DIRECT .Note 8.
AND ON HEDGE OUR USD TO OUR NYK PLS
TKS FOR THE DEAL BIBI

XX. BIBI

Note 1. In interbank option trading , on the assumption the delta hedge transaction will be carried out at the same time, prices are customarily quoted in terms of volatility. When the bank prefers the transaction be conducted with the actual premium amount instead of delta hedge, the bank in question should clearly state “live price”, or “without delta” when requesting a price.

Note 2. In regard to option cut off times, in the absence of any indication otherwise, this will be 3:00 p.m. Tokyo time for deals done in the Tokyo market.

Note 3. Confirmation of credit limit availability for the counterparty bank should be obtained prior to quoting a price.

Note 4. Upon conclusion of a deal quoted in terms of volatility, the spot rate (mid-rate of the current spot market rate) should be promptly decided.

Note 5. In the case of USD/YEN options dealt in the Tokyo market, premium is normally quoted in terms of YEN per unit of an option (USD), with the payment /receipt in YEN. For transactions with counterparties overseas who request payment and receipt of premium be conducted in USD, prices can be indicated in terms of USD, e.g., “XX PERCENT OF USD”.

Note 6. This means the premium is 2.70 YEN (premium for each unit of the option) x USD 50 mio (option face value) = 135,000,000 YEN (actual premium amount)

Note 7. This is confirmation of the details of the foreign exchange transaction for the delta hedge. XX Bank, by purchasing a USD call / YEN put from YY Bank, is potentially long USD and short YEN.(Option face value USD 50 mio x delta 30 % = USD 15 mio). To negate this, XX Bank concludes with YY Bank a spot transaction, selling USD 15 mio against YEN.

Note 8. YY Bank indicates their receiving agents for the delta hedge transaction and for the premium they will receive.

Special Note. When the relevant parties disagree over levels of deposit rate and/or forward rates used for the option premium calculations, appropriate levels should be confirmed with an independent third party (mainly brokers).

CASE 2 - Buying and selling a Straddle

XX. HIHI DO YOU HAVE ANY INTEREST TO QUOTE USD/YEN
OPTION 1M 50 MIO PLS? (Note 1)(Note 2)
TKY CUT OFF PLS?
YY. HIHI FRDS MOM PLS
15.2 - 15.5
XX. AT 15.2 I SELL USD 50 MIO PLS
YY. OK DONE SPOT 135.95?
XX. TKS AGREED
YY. MOM FOR PRICING
WE SEE STRIKE 135.50 AND
PREMIUM 4.93 YEN PER USD
2.54 YEN ON USD PUT , 2.39 YEN ON USD CALL
XX. AGREED
SO WE XX BANK SOLD USD/YEN STRADDLE
STRIKE 135.50
USD 25 MIO A LEG
EXPIRATION 7 JAN 98
DELIVERY 9 JAN 98
CUT OFF TIME 3:00 PM
PREMIUM USD PUT / YEN CALL YEN 63,500,000
USD CALL / YEN PUT YEN 59,750,000
VAL 9 DEC 97 (Note 3)
DELTA NET OUT (Note 4)
OUR YEN TO OUR TKY PLS
YY. OK ALL AGREED
TKS VM FOR THE DEAL AND HAVE A NICE DAY
XX. BIBI

Note 1. Normally it means a Straddle transaction for 1M AT-THE-MONEY-FORWARD.

Note 2. In the case of a Straddle transaction, it is quoted in this case as USD 50 MIO which means USD 25 MIO A LEG, for example it means a Straddle comprised of USD PUT / YEN CALL for USD 25 MIO and USD CALL / YEN PUT for USD 25 MIO. In the case of a Strangle transaction, however, it is normally stated as USD 25 MIO A LEG.

Note 3. The date premium is paid/received.

Note 4. This example includes a delta hedge transaction, however for Straddle and Strangle options, where the delta for both the put and the call is the same, the buying and selling foreign exchange transactions will be netted out and, as a consequence, the delta hedge operations will not be required.

Special Note 1. In a Straddle transaction, the difference in payment currencies makes a difference in the strike rate, so it must be stated prior to the transaction, or agreement is needed by the both counterparties after the deal.

Special Note 2. If the Tokyo or the foreign market is on holiday on the value date, the difference in value date my occur in between the Tokyo cut and the foreign center cut, in this case notification of the cut required is necessary by either party.

(b) Transactions through brokers

Dealer. "What is 6 month USD/YEN, please?" (Note 1)
Broker. "15.0 - 15.2"
Dealer. "20 mine." (Note 2)
Broker. "20 done, your counterparty is YY Bank."

CASE 1 - Where there is availability in credit limits

Dealer. “Done. Spot 135.95 YEN.”

Broker. “Counterparty agrees.”

Dealer. “Strike 133.25 YEN, premium 11.36 YEN. YEN Call 6.06 YEN, YEN Put 5.30 YEN, Delta net out.”

Broker. “Counterparty agrees.
To confirm you buy a Straddle from YY Bank for USD 20 MIO, strike 133.25 YEN, expiration date is 5 JUN 1998.
Delivery date is 9 JUN 1998, premium for the USD Put / YEN Call 6.6 YEN for the USD Call / YEN Put 5.30 YEN, delta net out and cut off time 3:00 p.m. Tokyo.”

Dealer. “O.K., agree.”

CASE 2 - Where there is no credit limit availability

Dealer. “Limit full.”

Broker. “Nothing done.”

Note 1. This means a six month USD/YEN Straddle. Straddling is normally used in volatility dealing.

Note 2. Straddling USD 20 MIO means buying both a USD put / YEN call and also a USD call / YEN put with the same expiration date and strike price for USD 10 MIO each, i.e., a total of USD 20 MIO. When buying a Straddle for USD 20 MIO a leg, “ 20 a leg mine “ is said and a transaction comprised of a put and a call for USD 20 MIO each is concluded for a total of USD 40 MIO.

? . MONEY DEALING

(a) Transactions using dealing equipment (with XX Bank, Singapore)

XX. HIHI, 3M USD DEPOSIT PLS?

YY. HIHI FRIENDS 3M IS 5 1/4 - 1/8 (Note 1)(Note 2)(Note3)

XX. AT 1/4 I TAKE USD 10 MIO

YY. OK, AGREED

WE YY BANK TOKYO GIVES USD 10 MIO AT 5 1/4

VAL 17 FEB 1998 AND 17 MAY 1998

OUR USD TO OUR NEW YORK VIA CHIPS ABA....UID....PLS

XX. OK AGREED

USD TO OUR NEW YORK PLS

TKS FOR THE DEAL BIBI

YY. TKS AND HAVE A NICE DAY

Note 1. Whenever lending funds, in addition to confirming credit limit availability
prior to price quotation, all transactions should be conducted within limits.

Note 2. In the Tokyo market, prices are normally quoted in the order of " offer, bid" (in the above example,5 1/4% is the offer and 5 1/8% is the bid). Prices in the London market are also quoted in " offer, bid", while in the New York market they are in " bid, offer" order.

Note 3. In practice, prices are normally quoted ONE WAY in the market. Depending on the funding requirement of the bank making the quote, in cases where a bank only needs to take funds, it is quoted as " WE PAY AT 5 1/8", in the case of a bank which only needs to lend funds, quoting as " WE OFFER AT 5 1/4" is usually the norm.

(b) Transactions through brokers

Dealer. 6M USD deposit, please?

Broker. 3/16 - 1/16

Dealer. Ten yours.(or, 10 mio at 1/16)

Broker. Ten done. counterparty is XYZ bank.

CASE 1 - Where there is availability in credit limits

Dealer. O.K., done.

CASE 2 - Where there is no credit limit availability

Dealer. Limit full.

Broker. Nothing done.