

May 16, 2008

Dear Market Participant,

I am writing to announce some recent changes to the ***Guidelines for Foreign Exchange Trading Activities***. The Foreign Exchange Committee published its first version of the ***Guidelines*** almost thirty years ago. As the industry evolves, the Committee periodically updates this document. The past few years have witnessed dramatic changes in technology as well as market structure, composition and participation. The foreign exchange industry, global by nature, has also witnessed significant growth in volume according to official surveys.

The events of the past twelve months underscore the risks described in the ***Guidelines***. As these risks are reexamined and repriced, the market will continue to evolve. It is against this background of continual change that the Committee reviewed and updated the ***Guidelines***. As both the foreign exchange market and its business models adapt, the Committee will continue to ensure the ***Guidelines*** remain relevant standards for the industry.

In 2008, the changes indicated below have been introduced into the ***Guidelines***:

1. The Guidelines have been reorganized: several topics have been consolidated and a new section on Control Functions has been added;
2. Language concerning prime brokerage (Trading), dispute resolution (Sales) and confirmation and netting (Operations) has been added or updated;
3. Reputational and Systemic risks have been added to the list of exposures in the foreign exchange business which are defined and described; and
4. The importance of a sophisticated senior risk management and governance function at an enterprise level has been highlighted (Management).

The most recent version of the ***Guidelines*** can always be found on the Foreign Exchange Committee's public website: [www.newyorkfed.org/fxc](http://www.newyorkfed.org/fxc).

Richard Mahoney  
Chairman  
Foreign Exchange Committee