

TRADING PRACTICES SUBCOMMITTEE REPORT

The Trading Practices Subcommittee identifies issues raised by the trading behavior of market participants and makes procedural recommendations to promote sound trading practices and enhance the integrity of the foreign exchange market.

During 1996, the Trading Practices Subcommittee held general discussions about trading practice issues and developed a seminar presentation of the recently updated Guidelines for Foreign Exchange Trading Activities. The seminar was held on November 13, 1996 at the Federal Reserve Bank of New York; approximately 275 market participants attended.

GUIDELINES FOR FOREIGN EXCHANGE TRADING ACTIVITIES

The Guidelines first appeared in the Committee's 1980 Annual Report and were titled, Selected Issues Relating to the Management of Foreign Exchange Trading Activity. Since then, the Guidelines have been updated several times. Like the foreign exchange market itself, the Guidelines have grown more complex and are now twice their original length.

The Guidelines represent a significant achievement—they showcase much of the work of the Committee over the past fifteen years. This work and the topics the Guidelines address continue to affect individuals and firms who trade foreign exchange. The latest revision incorporates the Committee's major initiatives since 1992, when the Guidelines were last revised. These initiatives include changes in the guidelines for broker switches and recommended best-market practices for reducing foreign exchange settlement risk.

The Committee's objectives are to make the Guidelines accessible to as many market participants as possible and to promote discussions about market practices that will further the transparency and efficiency of the foreign exchange market. In addition to publishing the Guidelines each year in the Annual Report (see pp. 17-32), the Committee organized the Guidelines seminar and published the Guidelines on the Federal Reserve Bank of New York's World Wide Web site (<http://www.ny.frbny.org>).

The Committee welcomes any comments or suggestions about how the Guidelines may be improved. Such feedback should be directed to the Committee's Executive Assistant at (212) 720-6651.